CREDIT
and FINANCIAL MANAGEMENT

ol. 34, No. 8 AUGUST, 1932 Established 1898

CONTENTS FOR AUGUST, 1932

Looking ahead

Our September issue will be the annual accounting number, featuring the accounting side of credit work, and will be of incalculable value to both credit executives and accountants.

Such subjects as budgetary control, inventory control, an analysis of "appreciation," and the use of the peg-board method of lowering costs in distribution figure work will be presented next month. Be sure to read these articles as they appear in time for the aggressive Fall selling campaigns that are getting up steam now.

Our cover

Taking his cue from the current agitation about bears, bulls and lambs, as well as the lead article in this issue, our staff photographer, M. E. Hare, has visualized the stock market situation of the past three years in a camera study from the Old Master's Studio, New York.

CREDIT and FINANCIAL MANAGEMENT

CHESTER H. McCALL
Editor and Publisher

Volume XXXIV Number 8

Paul Haase
Managing Editor

F. M. Ferguson
Business & Circulation Manager

Clifford T. Rogers
Advertising Manager

Simpson-Reilly
Pacific Coast Representatives

Philip J. Gray
Western Advertising Manager

Official Publication, National Association of Credit Men, 1 Park Ave., N. Y.

Chin leaders

In the parlance of professional boxers, the fighter who has a poor guard and leaves his face unprotected against stinging left-jabs and dynamite right-crosses *leads with his chin.* The boxer who leaves himself wide open and leads with his chin is an easy victim for a knockout punch. This idiomatic expression of "leading with your chin" has also become popular in parlor conversation and social discourse. The individual who makes a statement which permits another to answer him with cryptic repartee or biting satire is placed in an embarrassing position and at a conversational disadvantage. He has left himself wide open for a retort or comeback. *He has led with his chin.*

Chin leading has become a popular pastime in American business, in advertising, sales, credits, finance and general business administration. Executives are leading with their chins instead of their brains. It seems almost impossible that the average American individual can be as gullible as he is. One begins to wonder whether success is dependent upon tongue power rather than brain power.

Let's take advertising and briefly consider it from the angle of constructive thinking. Is advertising leading with its chin? Is it leaving itself wide open for criticism? There are no less than five brands of cigars which their makers advertise and label as "the best five cent cigar in America". Obviously, there can't be five best five-cent cigars. There are three makers of mechanical refrigerators who advertise almost word for word that "this refrigerator can be operated for less than any other refrigerator in the country." No less than seven different automobiles are claimed by their manufacturers to be "the smoothest and most comfortable riding car in America". These cases could be multiplied ad infinitum. Back of these claims are the executives—the so-called thinking executives of the various companies who pay millions of dollars in advertising to give the American public these discrepancies. *Chin leaders de luxe!*

The preceding two years of business illness have served the country gallantly in one important way, at least. They have given us an accurate appraisal of the thinking processes of American leaders. We have witnessed great business and industrial leaders making newspaper statements against the economic crime of reducing wages at the very time they were contemplating or actually effecting wage reductions in their own companies. Executive ability has too often been predicated upon the old Biblical maxim, "Let not thy right hand know what thy left hand doeth." With one hand busy fooling the other, our executives have been leading with their chins instead of with their brains.

Sometimes it is a little difficult to understand the psychology of business leadership. High-salaried executives seem to spend more time justifying their income than they do increasing their companies' income. Whenever a company faces a real problem, the president or chief executive instead of finding ways to make more money takes the easist way out and begins to reduce personnel and salaries. In three cases in New York with which I am personally familiar the best business-producing executives over a five-year period were let out because the company officials couldn't see any possibility of an aggressive sales program for a year or two to come. As a matter of actual fact, during the booming days of 1924 to 1929 most organizations with a nominal amount of management, ran themselves through the impetus of general and inexorable economic expansion.

Profits were made for business. *Business didn't make profits!* Get that distinction.

One large organization during 1929 made twenty millions in profits. In 1930 the same company made only one hundred and ten thousand dollars in profits. Yet the chief executives and the staff executives of this company remained the same. Could their executive abilities have deteriorated so much in one year? If these executives were responsible for that twenty millions of profit, and they gladly assumed that responsibility, weren't they responsible for the paltry one hundred thousand in profits in one year. They said no—and blamed the results on general business conditions. Again, *chin leaders de luxe!*

Business leaders who, up to 1930, were looked upon as demi-gods have turned out to be demagogues! They have led with their chins and left themselves wide open for justifiably derogative criticism. They have been waiting for prosperity to return and install them again upon their pedestals. When business men stop waiting for the *upturn* and start *turning up* business, the business *upturn* will come.

Chester H. McCall

COLLECTION NOTES
that bring **Quick** ACTION

...are POSTAL TELEGRAMS

● The message that is important to you becomes important to the man at the other end when it is a Postal Telegram ...just because it IS a Postal Telegram. It reaches him with no fuss or bother or delay. It focuses his whole attention on what you have to say. It impels him to action... *immediately.*

So...when accounts are overdue and collection letters are ignored and *quick* action is important...use Postal Telegraph. Postal Telegraph offers you fast, accurate, dependable record communication with 80,000 places in the United States and Canada.

Through the great International System of which it is a part, Postal Telegraph reaches the entire world through coordinated telegraph, cable and radio facilities.

Postal Telegraph is the only American telegraph company that offers a world-wide service of coordinated record communications under a single management. Through the great International System of which Postal Telegraph is a part, it reaches Europe, Asia, The Orient over Commercial Cables; Central America, South America and the West Indies over All America Cables; and ships at sea via Mackay Radio.

Send a "BOOK" of POSTAL TELEGRAMS
when you would reach a number of people with the same message in a minimum of time. Just ask for a Postal Telegraph Representative.

THE INTERNATIONAL SYSTEM

Postal Telegraph

Commercial Cables — All America Cables — Mackay Radio

When writing to Postal Telegraph, please mention Credit & Financial Management

Accept the acceptance!

With collateral substantially valueless and character out of fashion in banking circles, we still have one route open to borrowing—trade acceptances

by IRENEE du PONT,
President,
E. I. du Pont de Nemours & Co.,
Wilmington, Delaware

We all agree that we are in the midst of a business depression, but disagree as to what we are going to do about it. Worse than that, the majority of people are not even willing to think that they can do anything about it. Let us try to reason a little.

If you will look around you, read statistics, and listen to men talk who are familiar with their subject you cannot but be convinced that, judging by material possessions, this country is at the pinnacle of prosperity. The known natural resources are quite as great today as they have been in any previous decade, for new discoveries have substantially offset the destruction of natural resources as a whole. Our factories are in the pink of condition and able to turn out all that the market could be expected to use of every kind of material. There is ample skilled labor to produce all of our earthly wants. The transportation system of the country can deliver these products more promptly and quite as cheaply as ever before and included in this transportation system is the road system, more perfect than ever before known in any country of the world and provided with motor trucks which can even outdo the railroads on short-haul business. Better still, we have the healthiest population that the country has ever known and a population educated to desire a high scale of living. How, then, can we have a depression? What is wrong?

I have no patience with the answer that it is the aftermath of the orgy of speculation in 1928, nor, that it is the aftermath of the War, any more than I would be satisfied with the explanation that it is punishment for original sin. Of course, the speculation of 1928 left behind its scar and so did the War, but putting up such reasons as the cause of depression, to my mind simply provides an excuse for not bothering to think on the question at all.

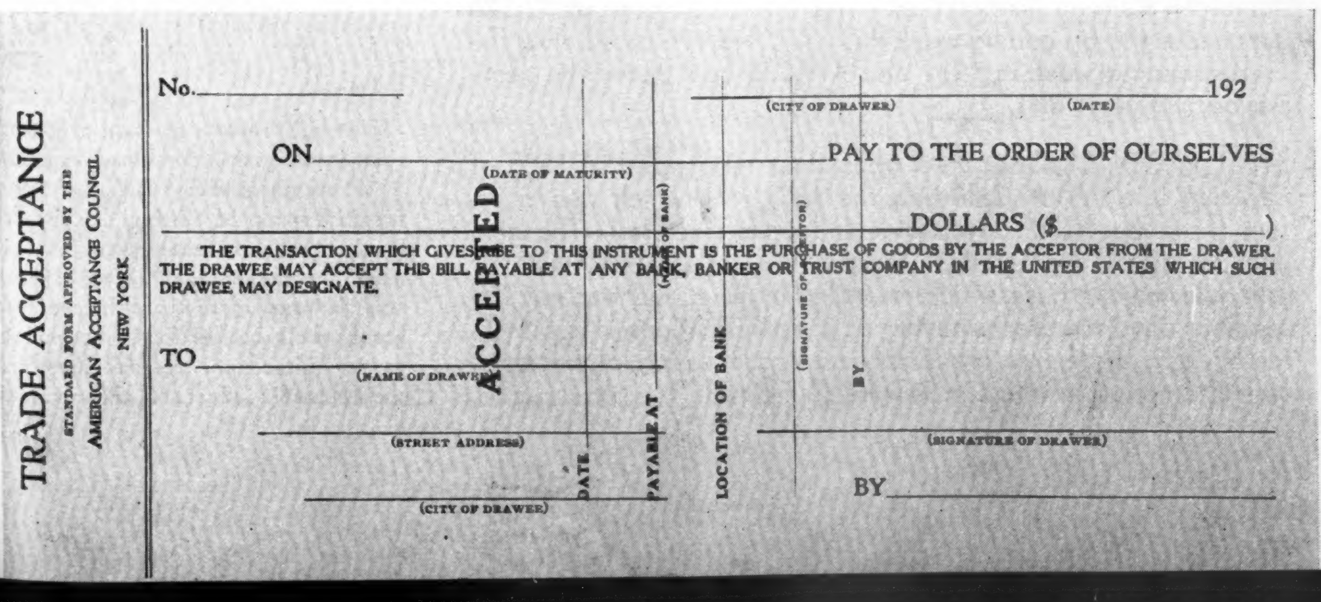
How does the situation differ from 1928? At that time everyone had confidence in the future. We were in the New Era; today few have confidence; many shake their heads and say, "The country will go Red," or, in terser language, "go to Hell." Why this state of mind in the midst of plenty? Security prices, no matter when bought, cannot be sold at their purchase price, and are continually declining further. Commodities exhibit the same peculiarity, their prices are constantly declining. Real estate is practically stagnant. Those who wish to sell can find no buyers at all. No wonder the psychology of the country is bad. There are eight million men out of a job; factories are running at volume so low that they are substantially all losing money. This is enough to explain it. Just as the continually rising prices and the great demand for labor caused the New Era in 1928, is it not reasonable then to suppose that the trouble now, just like its reverse picture in 1928, is purely a result of declining prices? What then has caused the decline in prices?

I will not get into an argument on the quantity theory of money. The differences in view on that question almost always resolves themselves into an endless dispute over a definition and would take a book to even clarify the situation.

Whether you belong to the school of thought which endorses the quantity theory of money, or the reverse, I think you will agree with me that if you have no money in hand and cannot borrow and can sell nothing, your sole buying power is your bank deposits. I think you will agree with me when I say that if suddenly the bank deposits of everyone in the country were reduced by one-third they, as a group, would feel poorer and spend less thereby reducing the demand in proportion to available production which would be expected to produce a drop in the price of commodities and securities.

That bank deposits in this country have greatly declined nobody can deny. The experience of your friends, and probably yourselves, *(Continued on p. 38)*

Facsimile of Trade Acceptance which has been approved by the Federal Reserve Board and is distributed by the N. A. C. M.



TRADE ACCEPTANCE
STANDARD FORM APPROVED BY THE AMERICAN ACCEPTANCE COUNCIL NEW YORK

No.________ __________ 192__
(CITY OF DRAWER) (DATE)

ON__________ PAY TO THE ORDER OF OURSELVES
(DATE OF MATURITY)

__________ DOLLARS ($______)

THE TRANSACTION WHICH GIVES RISE TO THIS INSTRUMENT IS THE PURCHASE OF GOODS BY THE ACCEPTOR FROM THE DRAWER. THE DRAWEE MAY ACCEPT THIS BILL PAYABLE AT ANY BANK, BANKER OR TRUST COMPANY IN THE UNITED STATES WHICH SUCH DRAWEE MAY DESIGNATE.

TO__________
(NAME OF DRAWEE)
____
(STREET ADDRESS)
____
(CITY OF DRAWEE)

ACCEPTED
DATE
PAYABLE AT
(NAME OF BANK)
LOCATION OF BANK
(SIGNATURE OF ACCEPTOR)
BY

____
(SIGNATURE OF DRAWER)
BY__________

The business

a compilation of business and

Straws in the wind

Blow hot, blow cold — the following straws indicate the strength and direction of trade winds recently:

AUTOMOBILE PRODUCTION: June production of passenger cars and trucks in the United States and Canada was estimated at 190,600 units according to the National Automobile Chamber of Commerce. This indicates that June production was 1½% below May and 26% under June last year. During the first half of 1932, 912,353 units were produced as compared with 1,639,027 in the first six months a year ago. This is a decline of 44%.

BANK CLEARINGS: According to Bradstreet's compilation, bank clearings of forty-seven cities in the United States totaled $4,418,120,000 for the week ended July 20, compared with $4,364,748,000 in the previous week, an increase of 1.2 per cent. Clearings for the week were 37.2 per cent under the figure for the corresponding week a year ago.

BUILDING CONSTRUCTION: Reports of building permits from 556 cities and towns in the United States show a total for June, 1932, of $38,151,019, according to the National Monthly Building Survey issued by S. W. Straus & Co. This is a 12 per cent decline below June, 1931.

BUSINESS FAILURES: For the week ended July 14, the number of failures was 20.4 per cent more than the previous week, from 505 to 608, but this was less than the normally expected increase. Failures in all groups were higher except in the wholesale and banking groups which remained the same as in the previous week.

CAR LOADINGS: Loading of revenue freight for the week ended on July 9, which included the July 4 holiday, totaled 416,950 cars, according to reports filed by the railroads with the American Railway Association. This was a decrease of 72,323 cars under the preceding week this year, 345,494 cars below the corresponding week in 1931 and 499,035 cars under the same period two years ago.

STEEL PRODUCTION: Steel operations rebounded to 16% of capacity late in July following the 12% rate which was in effect throughout shut-downs over Independence Day. The gain in operations represented merely the re-establishment of schedules on the basis which prevailed in June, and was not the result of any increase in buying or in specifications. As a matter of fact, there was practically no accumulation of backlogs over the period in which mills were shut-down.

We may be on the verge of an age of reason in industry, says M. D. C. Crawford in the "Daily News Record."

Senator David Walsh, of Massachusetts, has introduced a bill in the United States Senate, intended to modernize the relationship between law and industry, particularly in reference to the Sherman Anti-trust Law and the Clayton Act. There is no intention in this bill to demand a repeal of the legislation that has stood on our statute books for a quarter of a century. There is nothing hasty or revolutionary in the proposal.

The intent is to make it possible to study the effects of judicious and rational combinations in industry in an effort to stablize both the conditions of industry and the condition of labor and to make it possible to reestablish competitive industries on a reasonable basis of profit-making. The entire fabric of modern economic life is based on the assumption of an actual or reasonably recurrent profit.

Unjustified and punitive competition tends more surely toward actual monopolistic conditions than reasonable agreements between competitive units in industry, states Mr. Crawford. Such competition if pursued far enough will result in the demolition of the economic structure carefully built up through years of development. Senator Walsh's bill offers in effect a laboratory for experiment in industrial agreements. In no industries are such experiments so important as in the fabric and garment industries.

The bill proposes to form a non-partisan investigating committee composed of six members of the House of Representatives to be designated by the Speaker and six Senators to be designated by the President of the Senate, and that not more than three of each group shall be of the same political party. This committee is to investigate the economic effect of the anti-trust

thermometer:

financial trends and indications

laws and report to Congress not later than April 1, 1934. This committee or a sub-committee thereof is to be authorized to hold meetings in Washington or elsewhere, to employ expert counsel, to be able to subpoena witnesses and to take testimony in order that the investigation may be as thorough as, in the judgment of the committee, it seems advisable. Any group or association may during the interval of two years from the passage of this bill, submit to this committee and to the Federal Trade Commission valid copies of agreements entered into even if these agreements at present might be considered as prohibited by existing anti-trust laws. This is the emergency feature of this measure.

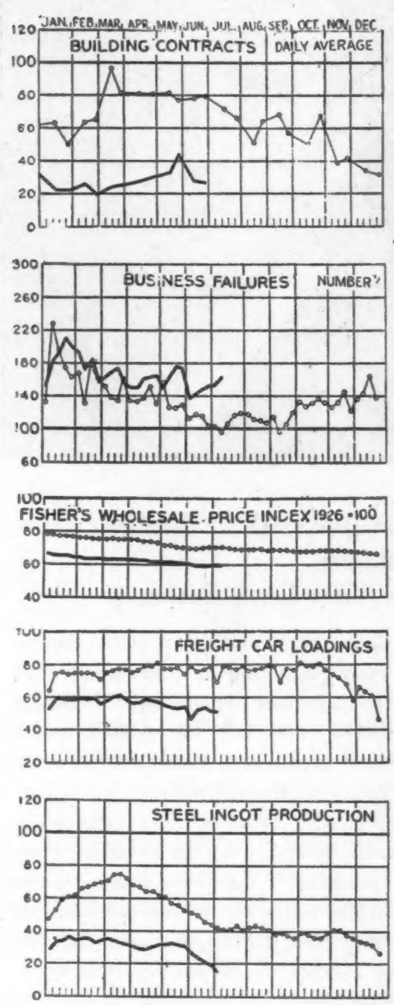
Such agreements may be filed with the committee and these agreements are to be stamped upon receipt with the date of receipt. No agreement shall be filed which provides for the physical merger or consolidation of competing persons or interests, or which in any way seeks to effect any physical merger or consolidation nor shall any agreement be filed which curtails or abridges the right of an employe to join or remain a member of a labor organization.

The committee shall have full power to investigate the business of any person or persons who may become parties to any such filed agreement and in this responsibility the Federal Trade Commision shares. These agreements shall be open to all interested parties and these parties may in common with members of the committee or the Federal Trade Commission file complaint. This complaint shall be heard together with its rebuttal by the signers of the petition before the committee; and the Attorney General and the Federal Trade Commission shall be kept in touch with all proceedings. If no complaint is made within 30 days after the complete filing of the agreement it shall remain effective, unless later disapproved until June 4, 1934. Nothing in the anti-trust acts shall be construed as declaring to be illegal for any purposes any such filed agreement while the agreement is effective. This allows two years for investigation before it becomes necessary to recast the law in its ultimate form. This law is frankly and rationally an attempt to test not the right of the Government to restrain by legal enactments monopolistic combination but to adjust the legal machinery of this country to the vast development that has taken place in American industry with the last 25 years. It combines during the emergency period the objectives of the various bills now pending for relief of industry. It provides a valuable observation period during which the efforts of industry to regulate itself may be studied. It places the disposition of a committee of Congress and the Federal Trade Commission and the Attorney General an opportunity to protect and defend the rights of the public. It has the unqualified endorsement of accredited representatives of labor. It covers a period when the danger of profiteering is too remote for consideration.

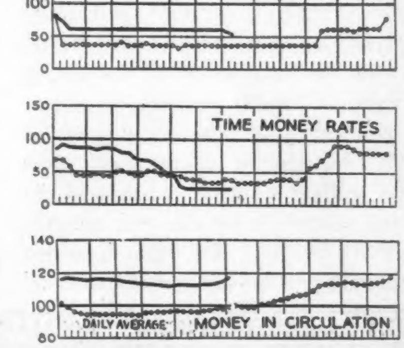
Not only modern industry but the very form of society on which modern industry is based, is predicated on the assumption of a profit in industry. If we are going to permit a condition to exist in which profit is impossible due to punitive competition, we must prepare ourselves either for a complete liquidation of working capital or to development of a new basic conception of social, economic and industrial relationships. The draft with present conditions is to invite disaster.

With the exception of Fisher's Index, U. S. Dept. of Commerce chart (right) have base 1923-25 = 100.

BUSINESS INDICES



FINANCIAL INDICES



Loaded for bear

The bear hunt started by Congress aims to chase the bears, who have scared off the bulls and shorn the lambs.

Yet "had there been a substantial short interest in 1929, the hysterical bullish speculation would have been checked and the reaction's severity modified."

by HOWARD C. SYKES,
President,
New York Curb Exchange

Our country is at present experiencing a period of trade and credit readjustment which must logically follow any era of over-extended trade and credit expansion, and, as a result, many of the ills which may be apparent in the situation today obviously had their inception in the so-called constructive period. Yet, we are more sensitive to the irritating effects of business inactivity than to the soothing and deluding factors of expanding prosperity and much quicker to take offense at practices operating in the correction of our economic conditions than to offenses committed in a period of over-emphasized prosperity.

In the days of over-expansion, unlimited growth of manufacturing facilities and production schedules was indulged in without much regard to the ability of trade to consume the output. For instance, a strong conviction existed prior to 1929 that bad times had at last seen their day in this country. It was freely said that a new era had dawned which was to be a sustained plateau of prosperity and that the United States had won this distinction by its strong international capital position, its industrial efficiency, its new distribution of wealth through the existence of some twenty million security owners and the limitless energy, ingenuity and capability of its people. To encourage this hope further, many of the elements of danger and weakness which had precipitated previous retrogressions appeared to be absent.

Even after the sharp industrial recession in the second half of 1929 and the still more widely advertised decline in security values in the fall of that year, a stubborn belief persisted that the United States had passed beyond the depression stage. As the year 1930 opened, this belief was given considerable encouragement by some statistical proof of an upturn in industrial operations in the early months. Seasonal factors undoubtedly played some part in this momentary trend toward improvement, but the most powerful element in the early 1930 turn in the tide of industrial recession was the organized and determined effort of business leaders to attempt to dissipate by artificial means the already existing forces of depression.

An organization for "prosperity control" was launched in the form of the National Business Survey Conference. At the invitation of the Washington Administration, industrial leaders turned out in full force for a determined effort to check the downward swing of the business pendulum. The railroads proposed to spend over one billion dollars in new capital expenditures in addition to about a billion and a quarter dollars for supplies and maintenance. Public utilities took their place on the prosperity program by scheduling $865,000,000 on construction programs, plus about $125,000,000 for maintenance. Something more than one billion dollars was planned for road building. The building industry had another two billion dollars for new construction and improvements to contribute to the general scheme. Industrial projects of a less tangible nature called for as much as five billion dollars in the aggregate. Altogether, over twelve billion dollars worth of new work and new expenditures was represented in the nation-wide survey planned to continue business on an even keel.

Although numerous modifications and adjustments in the original plan became necessary in the practical application of such an extensive project, the organized attempt to hold the business trend from a further downward swing was a highly important factor in that year's record. The securities markets at that time were quick to respond to the apparent stability developing in industrial operations, after the severe recession that had been recorded both in business activity and in the values of securities during the last quarter of 1929. The earlier decline had been so sharp in amplitude and so immense in scope that it held some aspects of unreality for the millions of individuals interested in the course of the stock markets. In any event, hope for better markets revived markedly upon the basis of the first tangible prospect for business recovery. Capital was abundant, as the result of the several billions of dollars of speculative credit which was released during the price decline. Investment demand sought an outlet in both stocks and bonds.

When signs of industrial recessions again appeared, however, market senti-

ment lost its optimistic flavor. When it became more evident that business activities were continuing their downward trend throughout 1930, disappointment and pessimism prevailed and considerable liquidation was experienced. The price structure, confidence in business, and the security markets were seriously undermined. As is well known, economic conditions went from bad to worse during 1931 and the first half of 1932.

In the decline of prices for securities during the past two years many have attempted to find a solution for its correction. All sorts of theories have been advanced. Some contend that by the elimination of short selling the stabilization of stock markets will follow. This, to my way of thinking, is incorrect because I firmly believe that normal short selling is an essential part of a free market in securities. The prohibition of all short selling would undermine the market and make for stagnancy and inflation.

It has been alleged that short selling is an evil because it permits concerted and organized action of a destructive nature against the market—commonly known as "bear raiding". Such conditions have not existed on our Exchange. Our committees have immediately and painstakingly investigated any signs of "bear raiding". In no case has any evidence of organized selling or "bear raiding" been discovered.

Moreover, in the future, as in the past, we shall have no patience with individuals or groups who seek to make profits out of destructive operations.

It is a vital truth, not generally realized today, that the severity of the decline in security prices in 1929 was due to the absence of any sizeable "short" interest in the securities market. During the long period of bullish operations, those who had realized that prices for stocks were rising far above their intrinsic valuations and who had taken short positions in the market with a view to stemming the tide and stabilizing prices, had time and again been forced to cover their commitments as a result of a nation-wide buying movement which had gained irresistable momentum.

Consequently, there were few bearish interests or bearish operators left in the market when the reaction actually set in and it happened that when general liquidation appeared, based upon a changing business situation, the market became decidedly topheavy. Figuratively speaking, all were sellers with no buyers. Had there been a substantial short interest in the market in 1929, not only would the hysterical bullish speculation have been reasonably checked but, in my opinion, the severity of the reaction would have been greatly modified.

The opinion in some quarters seems to predominate that anyone who sells short is a rascal and ought to be severely punished. We hear much argument about short selling during these depression days. In the years of the bull market it was seldom mentioned. However, in discussing this practice, one must consider its effect under any and all circumstances. A speculative short sale is one in which the principal sells a stock which is not owned by him, but which he is obliged to borrow in order to make delivery. He must return these borrowed shares at some future date. Therefore, a short sale resolves itself into a contract to deliver at a future date a given number of shares of stock, at a fixed price, which are not owned at the time of sale.

Two essentials which determine the success of any enterprise are knowledge and judgment. If we know, to the exclusion of others, that certain events are about to happen, we take advantage of that knowledge and make transactions accordingly. If our judgment tells us that certain happenings are likely to occur, we act in keeping with it. The application of these two factors, to a very large extent, determines the price of anything, whether it be needles or steam shovels.

Take the case of a manufacturer of steel rails. A railroad places an order with him for a large tonnage to be delivered nine months from date. The maker contracts to deliver them at that time. The rails themselves are not in his possession nor has he bought the pig iron with which to make them. They are, therefore, actually sold short.

Let us assume that before entering into this contract, the manufacturer believed that the price of pig iron would decline in the near future. He knew that there were many other companies willing and anxious to sell rails. In order that he might obtain this particular contract, he decided to sell the rails below their current price. In so doing, he was guilty of depressing the market in rails. His profit will be made if he is able to purchase the iron at a lower figure. He will hold off his purchases of this metal, if possible, until such decline occurs. His judgment may prove to have been wrong. In that case his expected profit will be wiped out, or perhaps a loss will result. Does anyone question the legality or propriety of such a transaction?

The farmer is another example. He estimates that his *(Continued on page 27)*

Good (for what?) will

An analysis of good will by MYRON M. STRAIN, Certified Public Accountant, San Francisco, Cal.

There are several fairly common expressions, terms and methods of treating financial data in financial statements that have, according to my observation, a strange and unfortunate effect on credit executives, both banking and commercial. Even when the visible physical symptoms are lacking, the keen psychologist could detect —in a patient exposed to such expressions, terms and methods—the underlying endocrine changes that would eventually result in bared teeth, a bristling of the hairs on the back of the neck, and a low, hoarse growl of rage. He would, presumably, diagnose this set of circumstances as a phobia. And, if the stimuli that arouse it were referred to me for explanation, I should say that they often consisted of unusually groundless obsessions.

Since it is a commonplace of the psychoanalytical therapy that an exposition of the underlying terms of an obsession is the first step in its cure, I am happy to take this occasion to illumine for some of my credit-man friends the first steps of the path to a happier frame of mind on these subjects. Also, the process may save them some money and customers by providing a truer interpretation of the inwardness of some of the financial statements that come across their desks.

What I propose to deal with here are not such relatively intellectual vanities as a misguided reverence for the current ratio, or a belief that financial statements can be "graded" like an examination paper, or the notion that "scaling down" assets is an intelligent manner of analyzing the balance sheet of a going enterprise, or a confidence that "standard ratio averages" may be developed statistically to provide criteria of financial strength. I have discussed all these illusions at considerable length heretofore—most of them in this journal—and I now have in mind somewhat more emotional and instinctive, and hence, less rational and more dangerous reactions. The first of them is the spontaneous distrust, disapproval and, sometimes, rage, aroused in the credit man by the sight of intangibles and, particularly, good will, among the assets listed in a balance sheet. As a matter of actual record, I have frequently seen it blind the reader of a balance sheet to all other features of the exhibit. I have rarely failed to see it divert attention, waste time and confuse issues.

Realistically considered, however, this black beast of the balance sheet isn't very dreadful. Sometimes, indeed, it is an authentic and legitimate value, acquired for valuable consideration and worth every cent assigned to it. This condition, however, is rare. Sometimes, I am told, good will is a naughty device for inflating security values, prices and whatnot! In specific cases in which I have observed this objective to have been achieved, however, the good will has never gotten into the balance sheet. It has merely been pumped into the price of securities in the course of marketing them. As a balance sheet result, it is certainly most rare. Many credit men seem to feel that good will is projected into a balance sheet by criminals for the specific purpose of confusing and deceiving them. But on this point, too, their moral indignation lacks foundation. No swindler, desiring to inflate his net worth, would, unless he were an exceptionally stupid man, ever adopt a procedure so infallibly certain to bring suspicion and defeat upon him.

This is not the place and time for any comprehensive treatise on the theory and nature of good will. All that I want to point out now is that, its theoretical nature aside, it constitutes not one of the scandals, but one of the follies of financial statements as it is found in ninety-eight out of every one hundred cases. After all the legal, accounting and economic theory about good will has evaporated, what is left in actual practice, in the aforesaid proportion of instances, are wholly meaningless and irrelevant balancing figures on the left hand side of balance sheets, resulting from nothing in the world more sinister

and portentous than clumsy corporate capital structures or—and very much more rarely—from adjustments of partnership capital accounts to predetermined liquidating or profit-and-loss ratios. In short, good will is, in the huge majority of instances, no more than a minor evidence of a minor technical fatuousness—usually on the part of the lawyers who devise corporate capital structures.

The amount of machine gun fire which this trivial folly has drawn really deserves a worthier target. One would enjoy seeing it employed against the uninformative and often misleading treatment which some accountants accord to reserves, or to the callous brutality with which they sometimes force uncongenial categories under a single caption. But the to-do over good will is largely farcical and pointless. Let me illustrate with a typical case which has come to my attention within the last few weeks:

Roscoe Ordman and James Meecham have, for some years past, operated a wholesale produce business as partners. About the first of this year, they found themselves embarrassed for working capital—a result of 1929 plant extension and 1931 operating losses—and they decided to incorporate their business, under the delusion that they would thereby be enabled to raise funds by selling stock "to the public." They employed an attorney fo this purpose, and the attorney proceeded to draw and file with the Secretary of State the articles of incorporation of Ordman and Meecham, Inc., providing, among other things, for an authorized capital stock of 100,000 no-par shares. He then drew an application to the Commissioner of Corporations for a permit to issue the stock, and, desiring a balance sheet to include in the application, secured one "after giving effect to the proposed issuance of stock to the partners for the acquisition of the business." They were to receive 50,000 shares in payment for the partnership net assets, and the balance sheet furnished was, of course, merely the last partnership statement with the corporate capital stock substituted for the partnership capital. A condensation of it was as follows:

Assets	
Cash	$2,456.30
Accounts Receivable	18,267.18
Inventories	15,382.76
Total Current Assets	$36,106.24
Fixed Assets	14,460.91
Total Assets	$50,567.15
Liabilities	
Accounts Payable	$17,462.45
Notes Payable	3,000.00
Accrued Expenses	765.14
Total Liabilities	$21,227.59
CAPITAL STOCK	
50,000 Common Shares of No-Par Value (Authorized 100,000 Shares)	29,339.56
Total Liabilities and Capital Stock	$50,567.15

On the evening of the day on which this balance sheet was prepared, Messrs. Ordman and Meecham met with their attorney as the corporate board of directors, and adopted a resolution which declared a "stated value" of $2.50 per share on their no-par stock. Questioned as to why they pursued this jolly little method of converting a no-par capital structure into a par structure, they replied that they thought the shares would be easier to sell if they had some definite "value" attached to them. In any event, they had to have a revised balance sheet, and the new one looked like this:

Assets	
Current Assets (As Above)	$36,106.24
Fixed Assets	14,460.91
Good Will	95,660.44
Total Assets	$146,227.59
Liabilities	
Total Liabilities (As Above)	$21,227.59
CAPITAL STOCK	
50,000 Common Shares of No-Par Value (Authorized 100,000 Shares) with a Stated Value of $2.50 per Share	125,000.00
Total Liabilities and Capital Stock	$146,227.59

I believe that it is by just such stupid gyrations that most "good will" gets into the balance sheet of small corporations. Occasionally, of course, some bright chap will get the idea of setting up good will and crediting surplus to cover an operating deficit, but the device is a clumsy one at best and is not apt to mislead any analyst who penetrates the surface of things or who has access to more than one year's financial statements.

But perhaps I exaggerate. Perhaps the item does not appear in financial practice in a sense empty of all meaning with the frequency which I have indicated. Well, at this point in the composition of this opus, I have been accused by a colleague of committing this sin. For confirmation or disproof we turn to his own audit files and inspect the reports that he himself has issued. In it we find twelve current examples of good will, in not one of which there is any significance at all except the necessity of "balancing" an issue of capital stock which exceeded the assets turned in in payment for it. In fact, he has a stock phrase to explain the phenomenon. It runs about as follows:

"Good will arose from an issue of capital stock to the owners of the pre-existing partnership* at the time of incorporation in an amount in excess of the tangible assets turned in therefor, and is computed as follows: . . ."

And so I revert in closing to my conclusion that the credit analyst should not excite himself unduly, nor lose his sense of balance and perspective, when he encounters good will. Usually he will deduct it from the assets and eliminate its amount from net worth, but surely he won't intepret it as an evidence of moral turpitude or allow it any material weight in his judgment of the cases in which he encounters it. It is not vicious —it is merely, in most instances, irrelevant.

*Or, to the stockholders of the predecessor corporation, or whatnot.

The machine gun fire that good will has drawn deserves a better target.

Bankruptcy changes

"For the first time there will be an opportunity to work out settlements and extensions outside of court with the aid of the law in binding irresponsible minorities who seek only to upset the apple cart."

by LLOYD K. GARRISON
Special Assistant to the U. S. Attorney General

Let me plunge into my subject without any preliminaries. Some of you, I know, are so steeped in the proposed Bankruptcy Bill and what it contains that to hear any further description of it will be a burden that I dislike to impose on you. But others, I feel sure, are not thoroughly familiar with it yet, and so at the sacrifice of those who do know all about it, I shall try very briefly to picture the way it is hoped that this law will work if adopted.

First, let me take up the proposed law from the point of view of the merchant who is in financial difficulties. Let us take the case of an honest merchant who wants to play fair with his creditors, who is in financial trouble but hopes to be able to pull out if matters can be tided over. What can he do today, short of obtaining 100 per cent agreement on the part of his creditors for an extension of time? His only recourse is to have himself adjudged a bankrupt and seek to make a composition under the Bankruptcy Act.

The composition procedure in bankruptcy is so cumbersome and long drawn out and expensive that it is of but little use to the average merchant, and moreover the average merchant in difficulties wants to keep away from the Bankruptcy Court as much as he can. And so the temptation is to hang on and hang on until nearly everything is lost and the inevitable day of liquidation comes.

Under the new bill we hope to encourage this honest merchant to solve his difficulties with the aid of his creditors and of the law. He can, under this bill, make an assignment to an authorized trustee and have it filed in court without being adjudged a bankrupt, and then proceed outside of court to negotiate with his creditors for a composition settlement or an extension of time to pay his debts under such terms and conditions as the creditors and he may work out.

And then, if the proposal, whether it be for an extension or for a composition settlement, is approved by a majority in number and two-thirds in amount of the creditors it can be filed in court with a request for a hearing at which the minority can be heard and the agreement confirmed by the court and made binding upon all creditors. So that for the first time there will be an opportunity to work out settlements and extensions outside of court with the aid of the law in binding irresponsible minorities who seek only to upset the apple-cart or to be paid off on the side for withdrawing their objections.

We propose to go further and to suggest to the Judiciary Committees that the Bill be enlarged so as to permit the negotiation out of court, of extensions and settlements without the necessity of making an assignment for the benefit of creditors, so that any debtor who has worked out a settlement that is consented to by the great proportion of his creditors can then file it in court and ask for a hearing at which the settlement can be made binding on the minority who, of course, will have their day in court and an opportunity to raise proper objections to the proposed settlement.

Let us take now the honest merchant whose creditors are pressing him, but whose affairs have reached the stage where he can not hope to save his business but apparently is faced with the necessity of liquidating. What can he do? Today he has only two courses. One is to file a bankruptcy petition and be adjudged a bankrupt. He wishes to avoid that course because he does not want to go into court and does not want to be adjudged a bankrupt. And so honest debtors are more and more turning to a second course—assignments for the benefit of creditors—with which you are all familiar in your daily work.

But the assignment, itself, is an act of bankruptcy, so that the honest debtor, after having given the assignment, may at any time be thrown into bankruptcy by three small creditors or by some attorney who has collected three claims and is looking for a fee. So the new bill makes it possible for the debtor to give an assignment to an authorized trustee, and provides that upon the filing of the assignment in court no petition in bankruptcy can thereafter be filed, so that the honest merchant can be absolutely assured that if he wishes to make a liquidation in this manner he can not thereafter be dumped into bankruptcy.

And when the assignment is made and filed the assignee may find out, after looking into the business, that there is still a possibility of saving it, which the merchant himself did not appreciate, through a reorganization of the business, a change in management, an extension of time, or other means. That can be done under this bill and can be

negotiated outside of court, and when the proposal is brought into court it can be made binding on the minority.

Let me take now the case of a corporation, with different classes of stocks and bonds outstanding, which gets into financial difficulties. This corporation today has only one chance, one way of working out a reorganization, and that is in the Federal Equity Courts, without any sanction of law and with the greatest difficulties in the way of working out a satisfactory plan.

The bill provides that such a corporation may be reorganized with the sanction of the law, without being adjudged a bankrupt and with very many and very important advantages over the cumbersome equity procedure.

Finally, let us consider the wage earner or salaried man, or professional man, who has fallen behind, who is in debt and cannot meet his debts but has earnings sufficient to pay them off if given time. Today his only recourse, when pressed by his creditors, is to be adjudged a bankrupt and wipe the slate clean. Many debtors of this sort, wishing to avoid bankruptcy, get into the hands of loan sharks in a fruitless effort to stave off their creditors. Under this bill they can come in under the law without being adjudged bankrupts, obtain time to pay their debts out of earnings, in instalments, with full protection against garnishments and attachments, and with a chance to save their names and play fair with their creditors.

Every effort has been made in the drafting of this bill to make it as constructive as possible, to make the law something more than a mere medium for the forced liquidation of a few remnants of assets, to make it a medium for the rehabilitation of merchants, corporations and individuals, giving them a chance to play fair with their creditors without stigmatizing them as bankrupts.

Now let us take the dishonest merchant. By "dishonest" I mean in the broad sense of being actually fraudulent or of having no moral regard whatsoever for the rights of his creditors. Today bankruptcy holds no terrors for such a merchant. He is quite willing to lay his plans ahead of time, to consume and waste his assets, to turn them over to favored creditors or to friends and relatives, and then, with nothing but an empty shell left, to go in one door of the Bankruptcy Court and come out the other with a discharge in his pocket, knowing full well that the less assets he leaves for the fees and expenses of administration, the less likelihood there will be of anyone going to the trouble of ferreting out the causes of his failure and opposing his discharge, or of seeing to his indictment if his conduct has been criminal.

Under the proposed law that man will know, before he begins to lay his plans, that if he gets into bankruptcy and is adjudged a bankrupt he will face a thorough and impartial examination by an official under the Attorney General whose sole function will be to inquire into his conduct and what became of his assets from the time he was solvent, and to present the facts so ascertained to the court when the man's discharge comes up, regardless of whether or not the creditors and attorneys in the case have gone to the trouble and expense of opposing the discharge.

It is not intended by this provision to interfere with the rights of creditors, their attorneys or trustees to examine into the conduct of bankrupts and to oppose their discharge. At the suggestion of Mr. Randolph Montgomery, the N. A. C. M.'s counsel, we are recommending to the Judiciary Committees, in order to make the matter perfectly clear, a change in the bill to the effect that if in any case the creditors, attorneys or trustees wish to examine the bankrupt, to inquire into his conduct, that then the official examination shall be postponed until they are through, and may be entirely dispensed with by order of the referee if he is satisfied that the facts regarding the bankrupt's conduct have been adequately disclosed.

What we hope to do is not to interfere with the present conduct of examinations, but to fill the enormous gap that statistics and experience show exist in the great run of small and no asset bankruptcy cases which constitute three-fourths of all bankruptcies, and in which no one pays the slightest attention to what the bankrupt has done or to the question of his discharge, for the reason that no one wants to throw good money after bad anad there isn't enough in the pot to make it worth while for anybody to do the work. Unless that gap is filled, this law will never cease to be abused.

The bill (and this applies to wage earners and professional men, as well as to merchants) provides for suspended discharge in cases where the bankrupt has without satisfactory excuse consumed or wasted his assets or gambled them away or used them up in gross extravagance or incurred debts on the eve of bankruptcy without any intention of paying—cases, in other words, where you cannot prove actual fraud but where the bankrupt's conduct toward his creditors has been so unconscionable that he ought not to be patted on the back and turned loose to do it all over again.

Such a bankrupt, under the suspended discharge provisions, could be required for a period of not to exceed two years, to make restitution to his creditors out of all after-acquired property and income above his exemptions and living needs, and if he did that in good faith then at the end of the period he would receive his discharge, but if he was not willing to make that reasonable effort for that reasonable period, then his discharge would be denied altogether.

Let me speak now of how this law will look to the average creditor. I think I can say something about the point of view of the average creditor, for we have received in this investigation hundreds and hundreds of letters from trades people, merchants, wholesalers, manufacturers and individuals all over this land of ours, unsolicited, spontaneously sent in, stating their views on bankruptcy and their experience with it. What is the picture that the average creditor sees when one of his debtors goes into bankruptcy? In the first place, the case is quite apt to be a long distance from where the creditor lives; it may not be in his community at all, it may be all the way across the country, and he is unable to attend. Then at the first (*Continued on page 29*)

Cancel the

Our distinguished debaters answer each other's contentions, which were originally advanced in the June issue and the cause of wide reader comment since.

by Hon. SAMUEL B. PETTENGILL, M. C. from Indiana

When I prepared the article which appeared in the June number, I understood that the question to be debated was whether the United States should cancel the intergovernmental debts due this nation. Dr. Winkler has, however, treated the subject much more broadly. His main thesis is the cancellation of all war debts and reparations—the debts due to our allies, as well as the balance of the debts owing from our allies to us.

It was of the latter obligations alone that I wrote in June, and I confine myself to that phase of the question now. I agree with Dr. Winkler that impossible sums were exacted by our allies from Germany upon a fraudulent foundation —the predicate that Germany alone caused the war and should pay for the war. That predicate is exploded and the superstructure falls with it.

But in the main it does not concern us. We never agreed to the treaty that imposed those impossible reparations. It was dictated at the sword's point by the Elder Statesmen in violation of the pre-armistice agreements negotiated by President Wilson with Prince Maximilian of Baden Nov. 5, 1918, based upon the President's address of Jan. 8, 1918 and subsequent pronouncements. A Peace of fairness was scrapped and a Peace of injustice substituted, to which the United States Senate and the American people have never agreed.

We did not cause the War and we did not write the Peace.

Let us review briefly what President Wilson laid down from time to time during 1918 as a basis for a settlement. "We have no jealousy of German greatness and there is nothing in this program that impairs it . . . We do not wish to injure her (Germany) or to block in any way her legitimate influence or power . . . It is the principle of justice . . . There shall be no annexations, no contributions, no punitive damages . . . To propose anything but justice, even-handed and dispassionate, justice, to Germany at any time, whatever the outcome of the war, would be to renounce and dishonor our cause."

But after these noble words were written, and Germany, relying upon them, had laid down her arms, Lloyd George conducted a political campaign in which promises were made to "hang the Kaiser" and to squeeze Germany "until the pips squeaked." The hounds of peace succeeded the dogs of war. The resulting treaty was a breach of international good faith and honest dealing such as the world has never witnessed. It was a treaty based on a lie—the lie that war guilt rested on Germany alone. If now our late allies wish to return to the principles of our war President, I wish them well. They were principles which, Mr. Wilson said, "statesmen will henceforth ignore at their peril."

I recur, therefore, to the single question whether this government should cancel the remaining balances of the intergovernmental war debts due us. It is here that Dr. Winkler and I take issue. I represent the American taxpayers who must assume those debts if they are cancelled and he represents the "American Council of Foreign Bondholders" who will benefit if Europe is relieved of those debts and they are placed on the backs of our taxpayers. I am sorry for Dr. Winkler's bondholders who, at the urging largely of our international bankers with huge fees and commissions at stake, invested in the blue sky securities of Europe. But as between those who bought in anticipation of a large percent of return, and the American taxpayer who must pay these debts still due to the holders of our Liberty bonds if they are further written off, my vote is with the latter.

As Dr. Winkler says, "the discharge of *both* intergovernmental loans and commercial credits became too great a burden . . . Debtor nations . . . find it practically impossible to carry out *all* their financial engagements."

Let us get down to brass tacks, Dr. Winkler. I do not know whether you personally bought some of those private bonds. I take it, however, that your American Council of Foreign Bondholders did.

When you argue that all war debts should be cancelled, will you throw in your own? Will you even agree to write off half of them? Or do you claim that the intergovernmental debts should be assumed in full by the American taxpayer, and that your Council of Foreign Bondholders would thereafter collect your bonds in full? I think that is a fair question. When you (*Cont. on page 37*)

war debts?

European developments recently, notably at Lausanne, have forced the war debts cancellation problem to the immediate foreground of the international stage

by Dr. MAX WINKLER, President, American Council of Foreign Bondholders

Readers of Credit and Financial Management owe a debt of gratitude to the Honorable Samuel B. Pettengill of Indiana for his endeavor to lay before them what may be regarded as a sincere and truly patriotic analysis of the inter-governmental debt problem. Because of its readability the article will be read with interest. Because of its lucidity, it will be admired. And because of its being seemingly convincing, it will be approved.

I subscribe unqualifiedly to the first two characteristics. The third, I am compelled to reject. I shall attempt to present my reasons, which I daresay will be accepted by my worthy opponent as well as by the readers—our invisible audience and judge.

"We live in a world of reality," says Mr. Pettengill, and "this question (that is, the war debts) is not to be decided by economists . . . . (but) by American public opinion in the field of politics." There would seem to be a slight inconsistency in this statement. Since the war debt problem is admittedly a realistic one, it should be tackled from the viewpoint of the realist and not that of the theorist, be he economist or politician. I have endeavored to present the problem not from the standpoint of the theoretical economist. I have eliminated all metaphysics and have, by means of impartial statistics—that is, concrete, tangible facts—shown what the war debts have meant and to what extent they have already contributed to the economic progress of the United States.

Mr. Pettengill very rightfully refers to the promise made by President Hoover a little over a year ago, when he proposed the one-year moratorium on all political debts. The purpose, President Hoover pointed out, was to give the forthcoming year to the economic recovery of the world. It was, the President continued, to help free the recuperative forces already in motion in the United States from retarding influences from abroad. Of course, none of these things have taken place and, consequently, the honorable gentleman from Indiana is keenly disappointed.

It is to a certain extent regrettable that we are not told the entire story. The situation is briefly this: Immediately following the announcement of the Hoover moratorium a spectacular change occurred both in sentiment as well as in fundamentals particularly in the former. The news was hailed as the dawn of a new era and it was confidently hoped that all the nations involved would unhesitatingly accept the plan. While this was true of most nations affected, France, at that time politically, economically and financially ahead of the rest of the world, did not fall in line at once. She apparently could not see her way clear to forgive Germany reparations due her, feeling, as she doubtless did, that consent to a one-year moratorium might conceivably mark the beginning of the end of all future payments on account of the war. The plan could not go into effect so long as France held out. As a result of this attitude on the part of the French Germany's creditors grew alarmed. They feared, rightly or wrongly, that refusal on the part of Germany to continue reparations might decide France to enforce payment and possibly bring about a repetition of the 1923 spectacle, which resulted almost in the complete annihilation of Germany.

It is apparent that, under these circumstances, those who had substantial sums on deposit in Germany did not want to take any chances with their investments. They consequently withdrew their funds as rapidly as they possibly could. Within a few days an alarmingly large amount had been taken out of Germany and the collapse of the Reich was imminent. At the eleventh hour, the French, realizing that the collapse of Germany was bound to have a profound influence, not only upon the rest of Europe but upon France herself, decided to yield. However, most of the damage had been done and whatever constructive developments may have resulted from a prompt and universal acceptance of the Hoover plan were completely neutralized by the hesitancy on the part of the nation which was victorious in the great war.

In an address before the Export Managers Club in New York, I made the following statement which was published in the New York *Times* under date of July 15, 1931: "France's hesitancy in backing the Hoover debt plan, followed by withdrawals of capital by

foreign investors, has cost Germany more than she would have gained by the year's holiday of debt payments." I went on to remark that "Two billion reichmarks have been taken out of Germany by foreign investors, compared with 1,750,000,000 which Germany would have saved if President Hoover's suggestion had been carried through without difficulty" To quote once more from the address, "All we set out to accomplish as a result of this great plan has been set at naught by the actions on the part of those who had funds in Germany. Inasmuch as the plan was devised to help Germany, we might as well forget there ever was such a thing as the Hoover proposal."

From the above, it should be apparent why the hopes entertained for the Hoover moratorium did not materialize. In other words, if Mr. Pettengill maintains the opinions of statesmen, based upon the opinions of bankers, based upon the opinions of economists, were wrong, and that the statesmen were wrong as well as the bankers and the economists, he apparently refuses to give consideration to the cardinal point in the whole situation. Had the announcement made a little over a year ago been accepted unanimously, the improvement which commenced immediately after such announcement would not only have continued, but would have gathered momentum steadily and the turn of the tide would have taken place a year ago.

This point should, to a considerable extent, answer the argument adduced by Mr. Pettengill in regard to the tremendous shrinkage in the economic wealth of this nation during the last year, in the course of which the so-called moratorium was in effect. Incidentally, the tremendous shrinkage which did occur is substantially smaller than the most pronounced addition to the wealth of the United States, resulting, as analysis will clearly demonstrate, from the loans and credits advanced to and established on behalf of America's allies both during and after the war. Fortunately, the fault was not ours, so that we have no compunction in pointing to the fact that we did all we could to hasten the economic recovery of the world. It is regrettable that we did not obtain the necessary cooperation at the time when such cooperation was extremely necessary.

There has been a great deal of talk about the United States tax payer being called upon to bear the burden in the event that debts to Europe will be cancelled or drastically reduced. This logic is, in my opinion, somewhat at fault. The advantages which are bound to accrue to the American tax payer following a satisfactory arrangement of the political debt question will more than neutralize the amount of about $250,000,000 normally due us on account of these political obligations. It is perhaps worth calling attention to the fact that owing to a somewhat better feeling following the adjustment at Lausanne, there has been added to the total of German government, state, municipal and corporate bonds sold to and held by American investors, individuals as well as institutions, not less than $150,000,000, from the beginning of this year. In other words, our tax payers are better off by that amount.

Inasmuch as it is practically universally recognized that the continuance of political debts and the failure to adjust them constitute one of the greatest, if not the greatest, obstacles to a world rehabilitation, it is apparent that the solution of this problem will have a profound influence upon the economic structure, not alone of the United States, but the rest of the world as well.

The gentleman from Indiana refers to the taxing power of our government as the only real asset which our nation possesses. One might possibly take issue with this view. The asset value of a nation is not necessarily determined by statistical indices and barometers. Many a nation may be insolvent on the basis of purely statistical facts, but if one takes the trouble to ascertain the true value and energy of 125,000,000 people he will reach the conclusion that our government is, perhaps regardless of a temporary embarrassment, regardless of a budgetary deficit, regardless of a shrinkage in the reserve ratio, regardless of a falling in our foreign commerce, regardless of the decline in corporate earnings, and regardless of many other adverse factors in our economic structure, one of the strongest and most powerful nations, inherently.

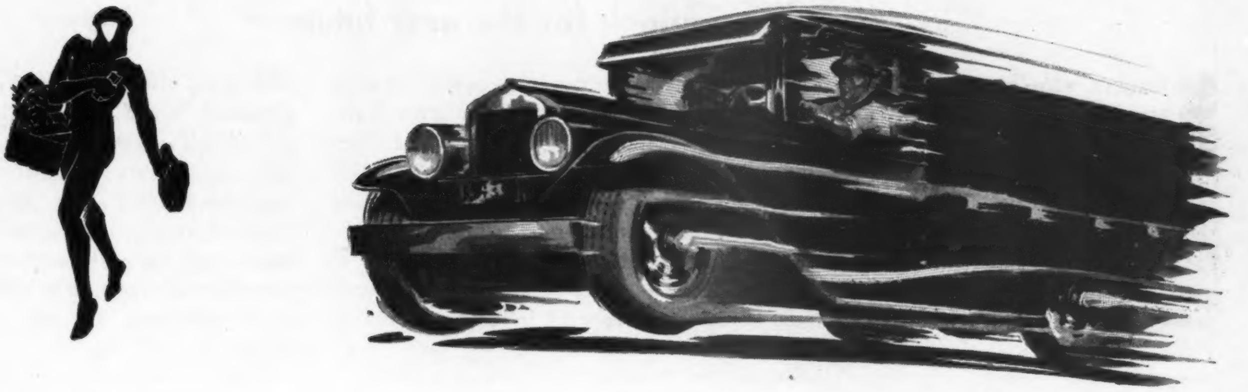
Nor can we subscribe unqualifiedly to Mr. Pettengill's remark that it is unfair for the American tax payer to hold the bag for the American bondholder of European securities. Unfortunately, the American tax payer and the American bondholder of European securities are synonymous. Regardless of whether the American tax payer owns or does not own European securities, he is—directly or indirectly—affected by whatever takes place across the Atlantic. It is no longer a matter of questioning the wisdom of having entered into all those commitments of a commercial and private character; the fact remains that we have a tremendous amount at stake in the European Continent and that failure to adjust this situation is bound to react most unfavorably upon our own institutions, which are involved abroad, especially in Europe, with most disastrous consequences to the American tax payer.

It is for this very reason that we must borrow from Mr. Pettengill's remarks at the introduction of his article—namely, that we live in a world of reality. Mr. Pettengill intimates that those who favor cancellation should suggest that European bonds which are held be also cancelled. An analysis of the nature of these holders will reveal that countless institutions throughout the country have invested in these very securities, which have been sponsored by the nation's most reputable institutions. Once again, it is useless to question the advisability of having sold all these bonds. The fact remains that we hold them and default on these issues is bound to have very serious results for everybody, including those who are opposed to any readjustment of political debts.

Although it is true that, fundamentally, public debts are superior to private obligations, it must be admitted that the loans which we made to our Allies during and after the war occupy a somewhat different position from a debt in the ordinary sense of the word, even though legally there may be no differentiation. While it is true that private loans—to use Mr. Pettengill's own words—were made to make money, this applies to an even greater extent to the so-called political debts.

There is, however, one point in Mr. Pettengill's essay which deserves most serious consideration and is well worth bearing in mind by both advocates of cancellation and those opposed to such step. I refer to the suggestion that Europe reduce its expenditures in connection with maintaining armies and navies. Parenthetically, I should like to point out that such reduction would not change the status of Europe's difficulties in connection with obtaining sufficient foreign exchange to take care of external commitments, because military expenditures are almost exclusively of an internal character and it is lack of foreign exchange which renders the debt question of (*Cont. on page* 33)

Delivering the goods



by E. E. STERNS,
The Travelers, Hartford, Conn.

When you see the progressive merchant's delivery car dashing along the streets of any modern community, you are apt to think, "there's a man who has a nice business and he certainly knows how to get the value out of his delivery system."

In order to make each delivery unit pay its way, many a modern vehicle is delivering more goods than ever before. Not only are bigger loads being delivered, per machine, but they are being delivered faster than ever before. Hand-to-mouth buying may have something to do with this situation. Keeping the inventory down to rock-bottom may often necessitate sending a truck to some distant point to pick up merchandise quickly in order to keep a promise of prompt delivery. After that it may be necessary to make rush shipments because of merchandise delayed in manufacture, due to some two or three-day-a-week working schedule. Hand-to-mouth production has created faster shipping schedules to make up for this kind of delay.

One may wonder what possible connection all this can have with the granting of credit. The very money advanced to a merchant, in the form of credit, may be jeopardized by the manner in which his automobile delivery system is run.

Some people, interested in automobile transportation problems, have asked this question, "Are goods being delivered too fast?"

Can it be true that merchants are trying to get too much out of their automotive equipment? Are they working their present units too hard? Is there a sufficient time for drivers and the equipment they use, to do their respective jobs properly and safely? Are merchants expecting too much of the dollars they have invested in their transportation and delivery systems and also is the human factor involved, pushed too hard for efficient, profitable operations?

Three years ago, people all over this country were trying to get too much for their money out of the stock market. Most of us are sadly but surely convinced of this fact today. We took a lot of punishment for the over-use of our money.

The same conviction may easily come to the merchant who endeavors to get too much out of his delivery trucks. The old, homely saying, "haste makes waste" certainly applies in this case. Offhand this may not seem plausible or possible, but let us examine some of the facts that exist when a merchant's delivery system is pushed too hard.

If a driver is ordered to make too many deliveries within a given time, unforseen circumstances are apt to arise that will cost the merchant real money and many regrets. Knowing that he is expected to comply with instructions to hurry deliveries, a driver often tries to get too much speed out of the vehicle he is operating. He may drive carelessly; overlook ordinary precautions; pull up on the wrong side of a street; not give other drivers hand signals or a fair chance to pass; also do a number of other things, any one of which will eventually lead to a serious accident.

Every business man knows that in these days of perplexing problems, continued profits depend upon the elimination of unnecessary expense. If you consider expenses, have you ever thought about the incidental costs of truck accidents and how they can affect a delivery system? I will list some.

Lost time—It costs from three to five cents a minute to operate a commercial car or truck, depending upon the size of the machine, wages of the driver, and traffic conditions in the territory in which it is operated. An accident invariably means delay while costs run on. If it is a minor affair, discussion or argument takes up time before the driver can resume his work. If it is serious, another car must be sent out to make the delivery, or to tow the disabled machine back to the garage. It is costing this three to five cents a minute per car, whether the driver is explaining to the policeman, or whether he is making the delivery; whether he is steering a towed car back to the shop, or whether he is handling it under its own power.

Half an hour here, half a day there! The lost time doesn't amount to so much for each individual instance. But on a number of cars over a period of a year, the small delays add up into hours, hundreds of hours—at $1.80 to $3.00 per hour!

Excessive repair bills—If a fleet of trucks or delivery (*Continued on page* 31)

Has the debtor merchant

1. **enough Public Liability and Property Damage Insurance?**
2. **determined if it would be better to have Deductible Property Damage Insurance?**
3. **made trucks operate safely?**
4. **cut delivery costs by efficiently maintained units?**

Nation-wide collection and sales conditions

What they are at present

The outlook for the near future

CREDIT AND FINANCIAL MANAGEMENT offers its regular monthly survey of collections and sales conditions. It is based upon reports from large cities throughout the country that are trade centers for their surrounding areas. The reports are the results of the daily experience of the leading wholesaling and manufacturing concerns operating from these trading centers. The two questions "Are people buying?" and "Are they paying?" are perhaps the most direct and immediate reflection of daily business conditions in the country.

These reports have been tabulated so that you may see at a glance how conditions are reported in various cities in each state, also what cities report a condition of "Good, Fair or Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to CREDIT AND FINANCIAL MANAGEMENT. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

State	City	Collections	Sales
Ariz.	Phoenix	Slow	Slow
Ark.	Ft. Smith	Fair	Fair
	Little Rock	Slow	Slow
Cal.	Los Angeles	Fair	Fair
	Oakland	Slow	Slow
	San Diego	Fair	Fair
	San Francisco	Slow	Fair
Colo.	Denver	Slow	Slow
Conn.	Bridgeport	Slow	Slow
	New Haven	Fair	Slow
	Waterbury	Slow	Slow
D. C.	Washington	Fair	Fair
Fla.	Jacksonville	Slow	Slow
	Tampa	Slow	Fair
Ga.	Atlanta	Fair	Fair
	Macon	Fair	Fair
Idaho	Boise	Fair	Fair
Ill.	Peoria	Fair	Slow
	Springfield	Slow	Slow
Ind.	Evansville	Slow	Slow
	Ft. Wayne	Fair	Fair
	Indianapolis	Slow	Slow
	South Bend	Slow	Slow
	Terre Haute	Fair	Fair
Iowa	Burlington	Slow	Slow
	Cedar Rapids	Fair	Fair
	Davenport	Slow	Slow
	Ottumwa	Fair	Fair
	Sioux City	Slow	Slow
	Waterloo	Slow	Slow
Kan.	Wichita	Slow	Slow
Ky.	Lexington	Slow	
	Louisville	Fair	Fair
La.	New Orleans	Fair	Fair
	Shreveport	Slow	Slow
Md.	Baltimore	Fair	Fair
Mass.	Springfield	Slow	Fair
	Worcester	Fair	Fair
Mich.	Detroit	Fair	Slow
	Flint	Fair	Slow
	Grand Rapids	Slow	Fair
	Jackson	Slow	Fair

State	City	Collections	Sales
Mich.	Lansing	Slow	Slow
	Saginaw	Slow	Slow
Minn.	Duluth	Fair	Fair
	Minneapolis	Slow	Slow
	St. Paul	Fair	Slow
Mo.	Kansas City	Slow	Slow
	St. Louis	Slow	Slow
Mont.	Billings	Fair	Fair
	Great Falls	Slow	Fair
	Helena	Fair	Fair
Neb.	Lincoln	Fair	Slow
	Omaha	Fair	Fair
N. J.	Newark	Fair	Fair
N. Y.	Albany	Slow	Slow
	Binghamton	Fair	Fair
	Buffalo	Fair	Fair
	Elmira	Fair	Fair
	Rochester	Fair	Fair
	Syracuse	Fair	Fair
	Utica	Fair	Fair
N. C.	Charlotte	Slow	Slow
No. Dak.	Grand Forks	Fair	Fair
Ohio	Cincinnati	Slow	Slow
	Columbus	Fair	Fair
	Dayton	Slow	Slow
	Toledo	Slow	Slow
	Youngstown	Slow	Slow
Okla.	Oklahoma City	Slow	Slow
	Tulsa	Slow	Slow
Oregon	Portland	Fair	Fair
Pa.	Allentown	Fair	Fair
	Altoona	Slow	Slow
	Harrisburg	Fair	Fair
	Johnstown	Slow	Slow
	New Castle	Slow	Slow
	Pittsburgh	Slow	
	Wilkes-Barre	Slow	Fair
R. I.	Providence	Slow	Slow
So. Dak.	Sioux Falls	Fair	Fair
Tenn.	Chattanooga	Slow	Slow
	Memphis	Slow	Slow
Texas	Dallas	Fair	Fair

State	City	Collections	Sales	State	City	Collections	Sales
Tex.	El Paso	Slow	Slow	Wash.	Tacoma	Fair	Fair
	Ft. Worth	Slow	Fair	W. Va.	Bluefield	Slow	Slow
	Waco	Slow	Fair		Charleston	Slow	Fair
	Wichita Falls	Slow	Fair		Clarksburg	Slow	Fair
					Lynchburg	Slow	Slow
Utah	Salt Lake City	Fair	Slow		Parkersburg	Slow	Slow
					Wheeling	Slow	Fair
Va.	Bristol	Fair	Fair	Wis.	Fond du Lac	Slow	Slow
	Richmond	Slow	Fair		Green Bay	Slow	Slow
	Roanoke	Fair	Slow		Milwaukee	Slow	Slow
Wash.	Bellingham	Slow	Slow		Oshkosh	Slow	Slow
	Seattle	Fair	Slow	Terr. of			
	Spokane	Slow	Slow	Hawaii	Honolulu	Slow	Slow

Comments on collections and sales conditions

ARIZONA: There is very little change in Phoenix since last month. Collections and sales still continue slow.

ARKANSAS: Ft. Smith reports collections fair due to the fact that credits are being watched more closely and confined to a more selected group of merchants. The price of potatoes, which will begin to move within the next few days, hardly pays for their production. Judging from present indications, the price of farm products will be very cheap from now on.

CALIFORNIA: Collections and sales in Los Angeles are fair. Some improvement is noted in oil, which is their basic industry.

CONNECTICUT: Waterbury reports the following: "Further cuts in both the pay rate and working hours have been effected although there is a marked cheerful acceptance by the working people and a disposition to make the best of what they have."

FLORIDA: Jacksonville informs us that conditions in Florida are about the same and they are not improving any. The merchants are not doing enough business and are in need of some volume.

IOWA: Collections and sales in Davenport still continue slow.

LOUISIANA: Collections and sales in New Orleans are fair, although one section reports sales good.

MICHIGAN: There has been a noticeable change from slow to fair in collections. Sales reached the low mark in this territory. It is one of the poorest months on record. Collections in Jackson have been slow, while sales have improved somewhat.

MINNESOTA: There has been an improvement in both collections and sales in Duluth since last month. Conditions in Minneapolis appear slow, but show a tendency towards improvement. The crop conditions in St. Paul are excellent with the exception of the threat of grasshoppers. This is a menace, but every effort is being made by the agricultural department to check its development.

NEBRASKA: The following report was received from Omaha: "We are of the opinion that sales are from 40 to 50 percent off, and when we say that collections are fair, this applies to current accounts. The jobbers are undoubtedly carrying receivables that have not been charged off, but they are more selective in their credit risks and consequently collections on current sales are holding up in good shape."

NEW JERSEY: Some improvement in collections and sales has been noted in Newark.

NEW YORK: Collections and sales in Binghamton have been fair, although two sections in this territory report sales good.

OHIO: A committee in charge of the reopening of the Union Trust Company anticipate that the bank will be reorganized and ready for business sometime this month. This will improve conditions immeasureably, Dayton feels.

OKLAHOMA: Conditions in Oklahoma City are not very promising at this time.

PENNSYLVANIA: Sales and collections in Harrisburg continue fair.

RHODE ISLAND: The usual seasonal sales to shore resorts in Providence are not as good as anticipated, and the regular business is slow.

SOUTH DAKOTA: The crop prospects in Sioux Falls *(Cont. on p. 38)*

Changes since last month's survey

State	City	Collections	Sales
Arkansas	Little Rock	Fair to Slow	
California	San Diego	Slow to Fair	Slow to Fair
	San Francisco		Slow to Fair
Florida	Tampa		Slow to Fair
Illinois	Peoria		Fair to Slow
	Springfield	Fair to Slow	Fair to Slow
Indiana	Evansville	Fair to Slow	
Iowa	Cedar Rapids		Slow to Fair
	Ottumwa	Slow to Fair	Slow to Fair
	Waterloo	Fair to Slow	
Louisiana	New Orleans	Slow to Fair	Slow to Fair
Massachusetts	Springfield	Fair to Slow	Good to Fair
	Worcester		Slow to Fair
Michigan	Detroit		Fair to Slow
	Flint	Slow to Fair	
	Grand Rapids	Fair to Slow	
	Jackson		Slow to Fair
Minnesota	St. Paul		Fair to Slow
Missouri	St. Louis	Fair to Slow	
Nebraska	Lincoln	Slow to Fair	
	Omaha	Slow to Fair	Slow to Fair
New Jersey	Newark		Slow to Fair
New York	Albany	Fair to Slow	Fair to Slow
No. Carolina	Charlotte	Fair to Slow	Fair to Slow
So. Dakota	Sioux Falls		Slow to Fair
Texas	Fort Worth	Fair to Slow	
	Wichita Falls	Fair to Slow	
Utah	Sale Lake City	Slow to Fair	
Virginia	Richmond	Fair to Slow	
West Virginia	Charleston		Slow to Fair
Wisconsin	Milwaukee	Fair to Slow	

Postal Telegraph Co.

Royal-Liverpool Groups

Felt & Tarrant Mfg. Co.

1932 business show

The Credit and Financial Management Business Show of 1932 was, according to the exhibitors and delegates, the most successful ever held. The various advertisers of Credit and Financial Management welcomed the opportunity of meeting several thousand members of the National Association of Credit Men, who had been reading about their products and services during the year. A great many visitors to the show found new devices and services which will aid them in solving their problems throughout the coming year.

The Postal Telegraph Company had a very effective display at the entrance to the Convention Hall. The young lady and uniformed messenger, shown in the photograph, were on duty from 9 A. M. until 12 midnight when necessary, ready to accept or deliver messages for the delegates. The Postal Telegraph Company distributed literature telling how collections may be stimulated by using the Postal Telegraph system. Readers desiring these booklets may secure them by writing to the Managing Editor.

The Royal Insurance Company had one of the most interesting booths at the show. The keynote of the display was an enlarged reproduction of a financial statement showing the strength of the Royal-Liverpool Groups of insurance companies. A great many pamphlets on different types of insurance subjects were distributed. Mr. C. D. Minor of the Royal Insurance was in charge. Mr. Minor, observing that the other exhibitors were thinking solely of the male delegates, conceived the idea of presenting each of the feminine contingent with various booklets such as, Household Inventories, fire and valuables insurance, and a very instructive pamphlet on the values of compensation insurance for servants, etc. This thoughtfulness was well received by the ladies, and the Royal-Liverpool Group

will probably profit from this promotional thought. Mr. Dauwalter assisted Mr. Minor. One reason why the Royal-Liverpool booth attracted such a great deal of attention was that this year was the first time an insurance advertiser had exhibited.

The Felt and Tarrant Manufacturing Company had a very instructive display of their Comptometer and Distribution Peg-Board systems. Several delegates were pleasantly surprised to find that the tabulating sheets, shown on the revolving stand as examples, bore the name of their own company and came from their departments. Thus, the delegates received a graphic illustration of the working advantages of Felt and Tarrant products and systems. The visitors to the Comptometer booth were greatly impressed by demonstrations of the greater speed and economy in sales analysis work over other systems. The Comptometer and Distribution Peg-Board method is readily flexible to the volume of items handled, thereby eliminating slow costly re-copying.

The Burroughs Adding Machine Company had the largest exhibit of the show—Detroit being their home office. The new Burroughs typewriter was the object of much attention. Numbers of delegates used it, and were greatly impressed by its ease and smoothness of operation. The Convention office had two in constant use and testify as to their excellence. The Burroughs Typewriter Bookkeeping machine was almost human the way it did virtually anything in the line of accounting, except make mistakes.

The American Automatic Typewriter Company had Mr. Powers, President, in charge of its exhibit. As the photograph shows the Auto-typist turns out genuine typewritten letters for one cent or less apiece. Just the sight of this machine automatically covering the letter page with letters, words and sentences, was enough to draw a crowd. One could almost imagine a phantom stenographer sitting there rattling off a letter at lightning speed. The pneumatically operated typewriter is worked by electrically driven silent machinery, concealed in the typewriter desk. These machines, when operated in a battery of four, type letters as fast as the operator, who sits in the center of the square formed by the four desks—can keep them supplied with letter-heads. She types the heading—touches a button—and off goes the machine on the body of the letter.

The Credit Interchange Bureaus' booth was under the able charge of Roy

Burroughs Adding Machine Co.

American Automatic Typewriter Co.

Credit Interchange Bureaus

THIS NEW BURROUGHS

SUBTRACTS as quickly and easily as it ADDS

TO SUBTRACT

Merely set up the amount on the keyboard and depress the *minus* motorbar. The amount is instantly *subtracted* and printed.

TO ADD

Merely set up the amount on the keyboard and depress the *plus* motorbar. The amount is instantly *added* and printed.

121.75
91.45 –
40.00
16.01
160.07
20.70 –
191.20
38.14
20.04 –
8.85 –
426.13 *

74.92 –
53.70
3.04 –
5.00 –
6.80
86.80
115.93 –
–
51.59 CR

PRINTS
CR BALANCE

Subtracted amounts are designated by the symbol (—). When the total of subtracted amounts is greater than the total of added amounts, the machine computes and prints the credit balance automatically and designates it (CR). Added amounts are not designated by a symbol, but when the result is a plus total it is designated by the usual (*).

NOW you can have a compact, low-priced Burroughs for desk use that *subtracts* as fast and as conveniently as it adds.

Think what this means on any number of jobs in your accounting department, especially on work that requires the indication of a credit balance (CR).

There are many styles from which to select a model exactly suited to the work you have for it to do. Wide or narrow carriage, as desired.

For full particulars, or for a demonstration on your own work... without obligation to you... telephone the local Burroughs office or write Burroughs Adding Machine Company, Detroit, Michigan.

Burroughs

Retail Credit Co.

Safety Shipment Forms Corp.

Hooper-Holmes Bureau

Colliton of St. Louis. During the week of the Convention it was the spot where all interested in better credit practices congregated. Mr. Colliton had many interesting articles on the "Interchange" System for distribution to delegates.

The Retail Credit Company was represented by Mr. J. S. Roberts, their advertising manager from Atlanta. The Retail Credit Company reproduced photostatic copies on a large scale, of the various types of reports they make. Their enlarged sheaf of reports led into a large map of the United States. This map in the rear of the booth, showed the network of their organization throughout the country.

The Safety-Shipment Corporation illustrated to the attending members just what the S-S Form is and does. So many delegates expressed themselves as highly in favor of using this system, that a number of explanatory booklets have been laid aside for the readers who did not attend the convention. Write the Managing Editor for them. The Safety Shipment Corporation has developed three forms which are of inestimable value to the Credit man. They are:—

1. Safety Shipment Bank Form.
2. Safety Shipment Guaranteed Payment Form (Money held in escrow by the Railway Express Agency.)
3. Safety Shipment Trade Acceptance.

These forms have been approved by the legal departments of the American Bankers Association, the Railway Express Agency and your own National Association of Credit Men. The Safety Shipment Trade Acceptance overcomes many of the inherent weaknesses of the Trade Acceptance now in use. They are printed by the American Banknote Company on safety paper.

Mr. Edward King, Secretary and Treasurer of the Hooper-Holmes Bureau, Inc., was in charge of their booth, to point out just how the Hooper-Holmes reports "give you the picture" where your credit risk is involved. He also added to Hooper-Holmes popularity by giving each delegate a notebook, bound in ostrich skin leather, with which to take notes on the concention. Mr. Edward P. O'Hanlon, Vice-President of Hooper-Holmes Bureau, also attended the convention and was present to assist delegates seeking information on Hooper-Holmes service facilities.

Loaded for bear

(*Cont. from page* 11) plantings will produce a certain amount of wheat. If he believes that the price of wheat will decline, he sells his crop for future delivery. In the event that his crop should be damaged or fails of production, he would be obliged to purchase the wheat in the open market to meet his contracts.

Consider the position of a jobber whose entire business consists of trading in merchandise. In almost all his dealings he sells a product without actually owning it. He expects to buy it at a cheaper price and so make a profit.

The manufacturer, the farmer, and the jobber, like the short seller of stocks, all contract to deliver something in the future which they do not own at the time the contract is made. This same operation occurs in many other lines in which agreements are made to deliver goods in the future.

So it appears that the ability to buy and sell freely is essential to good business practice. It is inevitable that some speculation shall arise in conjunction with such operations. Speculation is purely and simply an adjunct or accompaniment of free market trading and not a controlling influence. The laws of supply and demand and intrinsic values are the controlling influences, and the speculator profits or looses accordingly as his judgment is good or bad concerning conditions and the future trend of business.

In the famous Chicago Board of Trade case—1905—Mr. Justice Holmes of the United States Supreme Court said:

"Speculation—is the self-adjustment of society to the probable. Its value is well known as a means of avoiding or mitigating catastrophes, equalizing prices, and providing for periods of want. It is true that the success of the strong induces imitation by the weak, and that incompetent persons bring themselves to ruin by undertaking to speculate in their turn. But legislatures and courts generally have recognized that the natural evolution of a complex society are to be touched only with a very cautious hand, and that such coarse attempts at a remedy for the waste incident to every social function as a simple prohibition and laws to stop its being, are harmful and vain."

In the circumstances, it is rather futile at this time to point the finger of accusation at the Exchanges of the country and attempt (*Cont. on page* 29)

"This month's collection letter"

Gentlemen:

May we have a check—either a real check or a pencil check in the appropriate bracket below?

I shall appreciate it if you will check up and drop me the good news.

The date is: The amount is:

( ) Can't possibly make it today—
Will send one on ——————

( ) Here's part of it to show you our good faith.

( ) Here's all of it—
now keep quiet!

( ) We mailed you one on ——————

Yours for service and cooperation.

THE HARSHAW CHEMICAL COMPANY,

J. W. Lerner, Asst. Treas.

We present our regular "this month's collection letter". It is unique and effective and an example of good collection letter thinking.

What the country needs is more good collection letters. Their importance in helping pull business out of a depression and then keeping it out is greatly underestimated. There is no short cut to profits as certain as collection letters that do their job.

Send us your best and favorite collection letter for our "collection of collection letters" which we are gathering for readers of CREDIT and FINANCIAL MANAGEMENT.

"This is a collection letter which probably has been the most effective instrument of collection that we have used in all our experience. On one test alone which we made it drew 100% replies, of which over 80% were actual remittances. We believe its particular appeal is the fact that it gives the debtor an opportunity to reply on the letter itself rather than to have to take the time to dictate to a machine or a stenographer", says its submittor, J. W. Lerner.

"Our experience indicates that collection efforts that embody in a letter itself the opportunity of replying without the special effort referred to above has a better chance of success than any other type of correspondence we have used.

"The uniqueness of this letter apparently appeals to the debtor because in a number of instances we have received compliments as well as the suggestion of additional panels that could be inserted, such as 'bank closed today', 'no business', 'no credit' 'no money' etc."

A special follow-up envelope, made of safety paper, as part of the series permits the debtor to again send a remittance without exerting himself. This is one of the best planned collection systems we have seen in some time—the results it gets are sufficient proof.

A complete series of individual numbers of the collection letters which have appeared in CREDIT AND FINANCIAL MANAGEMENT is available upon application to Miss Mary V. Larkin, Manager, Collection Letter Department, CREDIT AND FINANCIAL MANAGEMENT, One Park Avenue, New York.

Paging the new books

Reviews of the important books on business, to aid executives whose reading hours are limited.

This month's business book

ESSAYS IN PERSUASION. By John Maynard Keynes. Harcourt, Brace & Co., N. Y. $2.50.

There is but one true economics; and John Maynard Keynes is its prophet. There is but one John Maynard Keynes; I would fain be his prophet to the few, if such there be, who have not yet made a reading acquaintance with this English economist who thinks with clarity, writes with facility, and prophecies with such uncanny foresight that one is almost convinced of his holding some contact with the fates which decide the vagaries of commerce.

Mr. Keynes has already achieved a lasting fame as forecaster of the troubles the war debts and reparations would bring upon us—and how painfully true his statements, written in the early years of the past decade, are! For sheer brilliance in analysis of factors arising from the war, and the manner in which it was settled, no man has yet approached his "The Economic Consequences of the Peace," published in 1919.

His newest volume follows as the third since the former was issued. This present tome is a collection of essays culled from the work cabinet of the author and published in the past ten years. They cover all topics, speak out forcibly though gently, and induce the same genial glow in the reader as one assumes the author must feel as he prepares them.

Here are learned and simple, charming and sound feuilletons on such matters as the peace and reparations, war debts and the United States, inflation and deflation (and he is not afraid of inflation, either, as a means of lifting the present depression). His remarks of the months prior to the return of England to the gold standard in the middle of the last decade have particular point in view of its departure from the standard last September. Anent Russia, he is lenient in his analysis but pessimistic in his conclusions.

And if you would be lifted to a higher level of thought after months of depression "literature" then read his observations on the future of mankind when economics is conquered, leisure is abundant, and what to do with time and money is a bigger problem than how to acquire them is today.

To know Keynes not is indefensible. I present him, gentlemen, for President of the Universe! His record is his open books!

—PAUL HAASE.

In defense of chains

THE CHAIN STORE—BOON OR BANE? By Godfrey M. Lebbar. Harper & Brothers, N. Y. $3.00.

I am afraid that the average reader will begin to read Mr. Lebbars book "The Chain Store—Boon or Bane" with a prejudiced mind. As soon as he picks up the volume he sees that Mr. Lebbar is Editor of "Chain Store Age"—the spokesman for chain store interests. In his preface, Mr. Lebbar says, " . . . the presentation . . . is offered with the suggestion that the author's bias should not be permitted to cast suspicion on his good faith. If the attempt to bring out the truth in these pages has been attained, the author's bias can safely be forgotten."

The book, naturally, is of far greater interest to critics and opponents of the chain system than it is to chain store adherents. The entire volume is a contrast of the chain store system of distribution and the wholesaler-retailer system of distribution. I believe that the facts presented by Mr. Lebbar are true. But I do not agree with all the conclusions he draws from a comparative analysis of the figures on both sides of the case. Every wholesaler and retailer in the country should read this book. Some of the weaknesses Mr. Lebbar points out in the wholesaler-retailer system are indisputably true. But they are all weaknesses which can be corrected . The growth of the chains is due to the fact that the chains have aggressively capitalized on distribution strength in our economic system which wholesalers and retailers have failed to capitalize on.

A few of the chapter titles will indicate the subject matter included in the book: "What the Chain Store System is", "Why the Chains Have Grown", "Large-scale versus Small-scale Retailing", "Do Chains Drain Communities?", "The Chains and Local Banks", "The Threat of Monopoly" and "Will We Become a Nation of Clerks?"

Mr. Lebbar's contention is that the chain system is economically sound and has a definite place in our national life. He does not contend that the wholesaler and retailer are going to pass out of the picture. He insists however, that the wholesaler-retailer system must keep abreast of the changing distribution tempo if it is to survive. His book is a defense of chain stores rather than an indictment of wholesalers and retailers. He chooses for the most part to advance arguments in favor of chain stores rather than arguments against independent retailers. The book is full of facts and figures, presented in an interesting fashion, and analyzed in plain, simple language.

—CHESTER H. MCCALL.

Among those present:

THE WAY FORWARD, by Robert S. Brookings, The MacMillan Co., N. Y.—The founder of the admirable Brookings Institute of Washington, D. C., reprints some of his writings, "in the hope that the experience of a long life (I have just passed my eighty-second birthday) may contribute something of value to their discussion."

Touching on the evolution of capitalism, at present, he looks at the road ahead for industry and agriculture in the U. S. A. and also Europe with a special chapter on Russia, with which he is sympathetic but not optimistic as to its theories or its realization of them.

—M. E. HARE

CYCLOPEDIA OF INSURANCE. Index Publishing Co., N. Y. $3.00.—Containing complete financial data about all insurance companies doing business here, definitions of all kinds of insurance and insurance terms, legal decisions affecting insurance and other pertinent and important facts.

Loaded for bear

(*Cont. from page* 27) to find the causes of trade stagnation in that quarter. It is well to keep in mind that exchanges and markets are the outgrowth of trade intercourse and development. They are the machinery for expediting the business of commodities and manufactured products and investment in these and not machinery for manipulation of the prices of these commodities and products. Exchanges facilitate trade and do not hamper it. Were there no free and open markets for securities and commodities, few would at any time have actual knowledge of the value of their holdings. Consequently such holdings would not have an accurate collateral value for credit purposes. Hardly anyone could arrive at a correct estimate of the intrinsic value of a security when seeking to purchase or know what price to expect when selling.

As a development of modern industry, securities and commodity markets are an absolute economic necessity. It would require but little imagination to picture the stifling effect upon industry that would follow a discontinuance of the orderly functioning of the present day exchanges even for a limited period. Some of us have a rather vivid recollection of the confusion which arose in all directions following the temporary closing and suspension of trading on the exchanges at the outbreak of the World War.

As I have stated before, stock exchanges are not an invention of the genius of man for the purpose of acquiring wealth, but are an economic outgrowth from industrial and social development. Their province is purely one of service. It probably is not possible to locate historically the genius who first conceived the idea of extending the partnership into a capital stock corporation. He is the man, if such there be, responsible for the great transition of society from a purely agricultural to an industrial basis, of which agriculture is but one of the industries. While agriculture continues to be the taproot of economic growth, it is undoubtedly the industrial development made possible through public investment in corporate management that has enabled society to make such rapid strides in economic development over the past century.

In a word, when economic development took the direction of public investment in corporate management of industry the necessity for free and unrestricted markets for the capital securities of such corporations arose. Hence the birth and growth of the modern security and commodity exchanges side by side with our economic expansion.

So I feel free to say that the modern stock exchange is not only important in the present economic structure but is a necessity. The New York Curb Exchange is such an institution. It originated to fill the very definite need of a primary market and it has grown to its present status and scope as a result of having met that need efficiently.

If capital is to continue to find its way into industrial development it must do so through the channels of investment and so far the best plan that man has devised in concentrating this business motive power has been through the medium of stock exchanges. Capital will not readily freeze itself in investments which cannot be quickly and conveniently converted into liquid funds when necessary. When one considers the present extent and diversity of American industry, it at once becomes apparent that exchanges must suffice. It is also apparent that the functions of the modern exchange are well defined and definitely established in the economic structure of the country. Man's abstract devices such as legislatures in government, unrestricted markets in trade, and elastic credit channels in banking are absolutely essential to his present day civilization and comfort.

Bankruptcy changes

(*Cont. from page* 15) meeting a few proxy holders will appoint a trustee of their own choosing, frequently incompetent, irresponsible and selected with a selfish motive in mind. I do not say that occurs in every case, for of course, you have most competent, able and efficient trustees in many cases, among whom, from what I have seen throughout the country, I am glad to number the Adjustment Bureau Managers of the National Association of Credit Men.

The average creditor with a small claim—the claims being generally split up and scattered around the country—is unable to spend time and expense in following up the cases, and he will at the end of each case, get a notice from the court setting forth an array of fees and allowances to be passed upon at the last meeting: and if he stops to analyze why the assets are so largely eaten up by fees, (*Cont. on page* 30)

Bankruptcy changes

(Cont. from page 29) he will realize that it is partly because the trustee's commissions are so low that he cannot afford to do the work that an attorney paid out of the estate can afford to do, and next that trustees have no interest in keeping down the expense of administration for it does not affect them, and finally, that the bankruptcy process is so cumbered with red tape and legal formality that a lawyer is generally needed to thread his way through the mass of technicalities and prepare all the papers that are called for and then is necessarily paid for such services.

We hope, under the bill, to correct that situation at least in some measure. We increase the trustee's commissions to make it attractive to high grade persons or organizations to go into the business, and we base the commissions, generally speaking, on the dividends to creditors, so that the trustees will have a direct incentive to keep down the expenses. We provide that the trusteeships in the different districts must be limited after an impartial investigation to those who are thoroughly responsible, vouched for in the community, and competent and reliable and then we provide for fixing full business responsibility on those trustees to go out and do the job of collecting and liquidating, without the constant applications to the court for permission to do this and that which cause so much legal expense.

We tried to take the principles that have been worked out in the Adjustment Bureaus of handling liquidations on a business basis, without unnecessary legal formality, and with responsibility fixed on one competent man to do the job, cutting out the expenses and delays that we suffer from in bankruptcy.

The creditor I have spoken of will also notice in the final papers that he gets from the referee's court, that there are allowances for three appraisers. Under the Bill we eliminate the mandatory requirement of three appraisers in every case, who are now paid \$15, \$25 or \$30 apiece even for the job of appraising an old Model T Ford.

The creditor will also notice a heavy item of expense for rent paid to the landlord during the period in which the trustee occupies the premises. You largely reduce that item in your Adjustment Bureau work because you are not subject to delays or red tape. You sell the assets quickly and cut short the rental period. We hope to do that under this bill by cutting down every step in the process of bankruptcy, chopping to the bone and hewing away the red tape and delays so that you can step in and take the assets quickly and dispose of them and avoid expense.

Then the creditor will notice that with extraordinary regularity in case after case, professional auctioneers are obtaining large fees for selling ordinary staple merchandise, because the average trustee is not a business man, and does not know how to sell assets and therefore turns them over to auctioneers who get 5 per cent or 10 per cent out of the assets that otherwise would go to the creditors. We hope if the bill is adopted, that capable and experienced trustees in bankruptcy will be provided for and that in very many cases they will work out other methods of sale than through auctioneers, acting as auctioneers themselves, or selling through sealed bids or at retail.

The creditor will also notice in the last word he receives from the court that accounts receivable in the amount of so many hundreds or thousands of dollars are to be sold on the block to the highest bidder at the last meeting of the creditors and you all no doubt have had the experience of seeing these accounts receivable sold to professional collectors at the last meeting who often make a profit out of them at the expense of the creditors. I know that most accounts receivable by the time bankruptcy occurs are not worth much but still the effort to collect frequently is perfunctory and the debtors stall off knowing that the trustee has to get through with the case. The bill provides a method whereby the trustee may subpoena debtors put them on the stand and if they admit under oath that they owe the money or part of it he may then have judgment entered for the amount admitted to be due.

One other thing from the point of view of the average creditor. If he has a complaint to make about administration in any given locality he doesn't know where to go or to whom to refer a grievance. The referee would normally be the proper person to go to, but it must be kept in mind that the great bulk of the referees are on part time and are practicing lawyers and that bankruptcy is a side show with them, and they want to get through with the cases and can not always give them the time and the expert attention that they deserve.

the referees themselves for there are very many of them who are extremely able and conscientious, but the business of having 530 referees, three-fourths of them on part time, spread out all over the country, many of them without sufficient interest in bankruptcy, is to my mind one of the signal faults in our present system. The bill contains a provision which it is hoped will gradually reduce the number of referees, concentrating the work more and more in the hands of full time experts, who are to be placed on salaries.

Then the bill provides for the appointment of ten administrators under the Attorney General, who will have different parts of the country assigned to them, and to whom any creditor or business organization may go and complain, and whose job it will be to investigate promptly and thoroughly every complaint.

One of the great difficulties we face in attempting to work out a satisfactory bankruptcy law is that the whole country is in the dark as to what the facts are. Until our investigation was made, there had not been since the adoption of the law in 1898 any study of the operation of this law on a nation-wide basis. Nobody knew the facts and hence the endless arguments and endless disagreements.

What we hope to create for the future through these ten administrators is a permanent fact-finding national machinery which will assemble year in and year out, full facts regarding every phase of the Bankruptcy Law, to be published annually by the Attorney General so that every business man, every lawyer, every banker, will see how this law is working in every section of the country and so that whenever future amendments are needed they can be adopted without the endless disagreements and contentions of the past.

Let me say one word about the public hearings in Washington. For the last two and a half months public hearings on this Bankruptcy Bill have been held before sub-committees of the Senate and House Judiciary Committees four days a week, and everybody has had his chance to come in and have his say. The principles of the Bill have been endorsed by the American Bankers' Association, by the National Association of Manufacturers, by over a dozen powerful national trade associations, by many of your own representatives who, of course, were voicing their personal opinions, and by many individual merchants and bankers, some of whom

came long distances to testify in support of the measure. Finally a number of labor leaders and labor organizations, including four of the large railway brotherhoods and the American Federation of Labor, have endorsed those clauses in the bill that affect wage-earners—the provisions enabling debtors to amortize their debts out of earnings without being adjudged bankrupts, and the provisions for suspended discharges.

The only opposition has come from attorneys, all but three or four of whom have been bankruptcy practitioners and all of whom have consistently disagreed among themselves as to what, if anything, should be done. I hope that during this Summer and during the Fall representative members of the Bar will give further thought and constructive study to the bill. Already the hearings have developed some points of view and suggestions for improvements in the Bill which we think are sound and which we are about to present to the Judiciary Committees in a memorandum. I cannot go into the details, but I want to say that wherever this Bill can be improved it should and must be improved and that we have no pride of authorship whatsoever.

Delivering the goods

(*Cont. from page* 19) cars has had a bad accident experience, its cars and trucks are also suffering damage. Frequently, accidents mean a rushed repair shop, extra men on the pay roll and heavy bills for replacement of broken or damaged parts.

Unnecessary extra investment in cars or trucks—It is very obvious that if cars or trucks must be frequently laid up in their repair shop others must be bought or hired to take their places. Otherwise drivers would be idle and work would not be done. Idle cars, whether they are being repaired in the garage or held in reserve, represent so much tied-up capital steadily depreciating and earning no dividends.

Unreliable deliveries—Suppose a car starts out to make a delivery and suffers an accident enroute. The car is crippled, possibly the driver is injured. Perhaps at the time, all other cars and drivers are busy elsewhere. As a consequence, delivery is delayed; the customer dissatisfied, particularly if he had workmen waiting for the arrival of material promised at a certain hour. It only takes about one experience of this kind to cause a customer to place his business elsewhere.

Damage to shipments—If a car is wrecked and its load is fragile or perishable, the load may also be damaged or destroyed. Loss of business or loss of money is almost certain to result.

Heavy depreciation costs—An automobile that is driven carefully will outlast two cars that are recklessly handled. Even small bumps which appear to do no damage may result in costly repairs or shorten the life of the car. Front wheels may be thrown out of alignment and tires quickly worn down; the entire engine may be forced out of line, resulting in constant and heavy repair bills.

Lessened advertising value of cars—A well kept fleet of cars or trucks is a good advertisement for its owner. Bent fenders, broken headlights, dented radiator or a scarred body detract greatly from the looks of a car and frequently cause the driver to lose interest in keeping it looking well. Thus, if cars are involved in accidents frequently, even small accidents, it may easily result in the loss of much of the advertising value of a fleet.

Impaired good will—This is a very real item to the merchant who uses a fleet of light trucks for delivery purposes. Suppose the driver is inclined to disregard the rights of pedestrians at crossings. Naturally these people resent it. Some of them are customers of the store. All of them are constantly being invited by the advertisements of the merchant to do business with him. A pedestrian angrily glances after the car that barely misses him and reads the merchant's name on the side. What is his reaction? To avoid, rather than to choose that merchant's store in making his next purchase.

The same is true with the thousands of motorists now on the road. They are also potential customers. Suppose a truck driver forces you into the gutter, or cuts in sharply ahead of you, or shoots in front of you from a side street in a reckless manner. You see a name printed on the side of that truck. Do you feel favorably inclined toward that name? You do not! You are likely to bear a grudge against it for some time.

Then too, customers must be considered. Mothers in suburban areas have been heard to say, "I am not buying anything from Blank and Company. I don't like the way their drivers race through the streets. I worry about the children every time I see one of their trucks coming."

(*Cont. on page* 33)

In the modern office

An idea and experience exchange on equipment, system and management in the modern credit and business office.

New styles in safes

Safe-Cabinet Division of Remington-Rand, Inc., now offers safe cabinets in finishes to harmonize with the most de luxe executive offices. Three style designs in a range of five colors are offered.

New storage case announced

Shaw-Walker announces a drawer-type storage case with the economy of a box and the convenience of a file. These storage cases are made of Fibre-Ply-Wood, a specially processed material, laminated for great strength and finished to reproduce the appearance of wood grain. The outer surface is unusually hard so that the drawer works easily in the case and with very little wear. Material is water resistant so that cases will not soften and sag in foggy weather or damp climates. Laboratory tests are said to prove that Fibre-Ply-Wood increases in rigidity and strength with age. These storage cases stack without binding, have a full-size, brass-plated handle and are available in 10 sizes for correspondence, legal documents, checks, cards, etc.

Insulated ledger tray

The same company has recently perfected an insulated ledger tray which not only reduces the hazards of day-time fires but also does away with the need for transporting ledgers to a vault or safe for night time protection. Convenience and 24 hour protection of records at point of use are the features of this tray.

Adding-calculator improvements

The Monroe Calculating Machine Company's latest model adding-calculator has many improvements, perhaps the most striking of which is the "spot-proof" keyboard by means of which a shadow ring is thrown around each depressed key so that the operator can check the keyboard set-up at a glance. Other major improvements have been made without adding any weight to the machine. Automatic division, formerly available only in larger machines, has been incorporated. This is motivated by an enclosed universal motor operating at a speed of 380 revolutions per minute. The machine, however, is said to be practically noiseless and vibrationless in operation. The "spot-proof" Monroes is made in two sizes.

Midget mike in business

Attention has been recently focussed on the so-called "midget mike," used at both the Republican and Democratic conventions and also in the broadcasting of a play from an hotel lobby. These microphones are worn on the coat lapel or carried in the hand, thus making it possible for one to broadcast from wherever he may be. Few people realize that the midget mike is also used in business as a flexible and inexpensive inter-communicating system. It is possible, for instance, for an executive wearing one of the microphones (which weigh only a few ounces) to speak directly with any department of his business, from any place in his factory or office. Sales managers use concealed microphone to listen in to customers and salesmen in the showroom. Names of guests are announced through small microphones. Confidential instructions are given in this way. The microphone —and especially the midget variety— has hundreds of uses in business and is being adopted on a wide scale by many kinds of organizations. The cost can be surprisingly small.

"Times of unexampled prosperity"

In an essay entitled "A Time of Unexampled Prosperity," Washington Irving wrote, a century ago:

"I have been occasionally reminded of this scene (the lull preceding a violent storm at sea) by those calm, sunny seasons in the commercial world, which are known by the name of 'times of unexampled prosperity.' They are the sure weather-breeders of traffic. Every now and then the world is visited by one of these delusive seasons, when 'the credit system,' as it is called, expands to full luxuriance; everybody trusts everybody; a bad debt is a thing unheard of; the broad way to certain and sudden wealth lies plain and open; and men are tempted to dash forward boldly, from the facility of borrowing.

"Promissory notes, interchanged between scheming individuals, are liberally discounted at the banks, which become so many mints to coin words into cash; and as the supply of words is inexhaustible, it may readily be supposed what a vast amount of promissory capital is soon in circulation. Every one now talks in thousands; nothing is heard but gigantic operations in trade; great purchases and sales of real property, and immense sums made at every transfer. All, to be sure, as yet exists in promise; but the believer in promises calculates the aggregate as solid capital, and falls in amazement at the amount of public wealth, the 'unexampled state of public prosperity.'

"When a man of business, therefore, hears on every side rumors of fortunes suddenly acquired; when he finds banks liberal, and brokers busy; when he sees adventurers flush of paper capital, and full of scheme and enterprise; when he perceives a great disposition to buy than to sell; when trade overflows its accustomed channels, and deluges the country; when he hears of new regions of commercial adventure; of distant marts and distant mines swallowing merchandise and disgorging gold; when he finds joint stock companies of all kinds forming; railroads, canals, and locomotive engines, springing up on every side; when idlers suddenly become men of business, and dash into the game of commerce as they would into hazards of the faro-table; when he beholds the streets glittering with new equipages, palaces conjured up by the magic of speculation, tradesmen flushed with sudden success, and vying with each other in ostentatious expense; in a word, when he hears the whole community joining in the theme of 'unexampled prosperity,' let him look upon the whole as a 'weather-breeder,' and prepare for the impending storm."

—Uncovered by William Feather

Delivering the goods

(*Cont. from page* 31). The safety of her children is very close to a mother's heart. Neighbors get together and talk, and if one of them happens to observe that the driver of some company is disregarding the safety of their children, all they need to do is to place their business elsewhere to make it unnecessary for that company's car to enter the street.

One truck accident can cause an immense amount of damage to a merchant's pocketbook and also have quite an appreciable and far-reaching affect on his future credit. Some merchants feel that if they pay their automobile premiums they are doing all that is required of them. Some individuals feel that they can dismiss the matter of automobile accidents with a shrug of their shoulders. Every so often their attitude is reflected by some such statement as this, "We're paying for our insurance; that takes care of our accidents. doesn't it?" But unfortunately such an attitude has caused a constant increase in the cost of Automobile insurance rates.

Automobile accident deaths in the United States by 5 year periods—

5 years ended in 1921	58,552
5 years ended in 1926	98,551
5 years ended in 1931	152,732

For the past five years, the greatly increasing number of automobile accidents has had a very real bearing on the amount of money a merchant must spend for his automobile insurance premiums. The settlement of claims costs more today than ever before.

If a jury votes a large amount of money to some claimant in a damage suit because of an accident caused by some merchant's truck, even though this money is paid out by an insurance company, few merchants realize that such losses will soon be reflected in increased insurance premiums.

Often a merchant does not have adequate insurance protection. If a liability accident suit is settled for $20,000 and the truck owner has but $10,000 of insurance, he must pay the remaining $10,000 out of his own pocket. Insufficient automobile insurance limits have thrown some concerns into bankruptcy.

If a merchant's management of his delivery system is inefficient, such carelessness may take a lot of money out of his business. Careful and thorough supervision of the operation of trucks is one of the ways a merchant can help to avoid increased cost of premiums.

The economic loss in the United States due to automobile accidents is conservatively estimated at two and one-half billions of dollars annually. This is a terrific waste. A goodly part of this loss could be eliminated. Consideration in the driving of trucks will help reduce accidents. Maintaining trucks in good, mechanical operating condition will contribute to the safe use of such vehicles.

The rising trend of automobile accidents costs can be corrected. The answer is—prevent accidents; because by preventing accidents, lives and limbs are saved—lives and limbs of grown-ups and their children; lives and limbs of other persons on the street; lives and limbs of occupants of other cars.

By saving lives and property everyone will—and can—arrest the tragic toll now being taken by the misuse of cars and highways, as well as reduce the present high costs of automobile accidents.

Of course, no one truck or passenger car owner can bring about the necessary improvement in the situation as a whole. Each one however, can do his part.

He can see that all the rules of safe driving are observed by his drivers and by himself when driving.

He can deny the use of trucks to anyone who violates even part of the rules, even part of the time. He can deny the use of a pleasure car even to members of his own family who have not recognized the necessity of safe operation.

He can have all of his employees set an example of highway courtesy (some of our biggest fleet operators are doing this) that will have a decided influence on other drivers and on pedestrians, too.

He can help to change the public's attitude toward the misuse by both drivers and pedestrians of the highways which belong to all the people.

He can uphold his own governments, both state and city, in their legislative, police and judicial efforts to protect life, limb and property from injuries which may be inflicted by the incompetent and careless, as well as the wanton operators.

He can lend at least his moral, if not his active, support to the organizations which are seeking through fair and sensible means a correction of a situation which is worse than war.

Cancel the war debts?

(*Cont. from page* 18) Europe precarious.

I do, however, believe that it would not be desirable or good diplomacy to insist upon a *quid pro quo* if we agree to a revision or elimination of the political debts. Revision of political obligations is advocated largely because it is to our distinct advantage to do so.

That the world as a whole will be infinitely better off if the nations agree to reduce substantially their enormous expenditures for war purposes, is manifest. That such reduction will be effected gradually, is equally obvious to those who have studied carefully European developments within the past few years. It is, however, apparent that only after the elimination of the political debt question, will it be possible for Europe to tackle successfully the other important problem—namely, that pertaining to the reduction of military expenditures.

Beware of the man who promises more than you have a right to expect.
—*William Feather*

Insurance digest

Inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

Klein's tribute to fire insurance

Dr. Julius Klein, assistant secretary of commerce, is a well-known authority on business affairs with which he comes in close touch through the extensive operations of his department. He recently made a radio address over the Columbia network in which he paid a fine tribute to fire insurance under the title "Bear Ye One Another's Burdens." Speaking as an authority on business affairs, he advised everyone to carry insurance with sound companies against the various hazards with which they are exposed, with the certainty that if the catastrophe should come they would not have to bear the burden alone.

Dr. Klein pointed out the value of the various forms of insurance protection, and said:

"These rates you pay are not based on guess-work, but are the result of long scientific study and careful calculation on the part of underwriters. And so when you buy insurance it does not mean you are betting with the insurance company at such and such arbitrary odds as to the probability of loss; you are prudently entering into a co-operative arrangement with other citizens who are equally foresighted to unite in sharing the hazards of certain uncontrolled forces.

"If a person finds he is paying for his fire insurance at a higher rate than his neighbor, he will learn, too that there is a good reason for it which his agent will be only too glad to explain telling him at the same time what he can do to reduce his fire hazard so that he may obtain a better rate. It is simply a matter of good business for both fire and casualty companies to work for the reduction of fire and accident hazards, but in so doing they make an incalculable contribution of a humanitarian and economic nature to the welfare of the human race.

"America pays a big bill for its fires —over $500,000,000 last year. That represents property that is gone without hope of recovery, resources consumed that can never be used again. It is a staggering total nearly equal to the cost of our entire federal government in all of its civil, judicial and legislative departments. But this huge sum would be still more appalling were it not for the well-directed and energetic campaign that is being steadily waged by the insurance companies, individually and through the National Board of Fire Underwriters. Their effort to safeguard life and property is very directly for the benefit of the public. Fire underwriters know that the ancient, tumble-down building crammed with inflammable contents, endangers not only the people who use it but also the occupants of surrounding structures. And their engineers and inspectors are constantly making suggestions regarding the removal of fire hazards and the addition of further safeguards against fire.

"Business as we know it today could not exist without insurance. As one writer on the subject puts it, 'if the people of this country should wake up tomorrow morning and discover that all casualty, surety and fire insurance policies had been cancelled and that those kinds of insurance had been abolished, the economic and social disaster which immediately would result would make the present depression look like a business revival.'

"We all know what credit is. It is much in our minds these days and in a very recent public utterance it was emphasized by President Hoover that 'credit is the bloodstream of our economic life.' Restriction or destruction of credit cripples the revival and expansion of agriculture, industry and employment. The President was calling for a nation-wide campaign against the hoarding of money. Hoarding is one of the most pernicious negative influences in credit; insurance on the other hand, is one of the most positive stimulants of credit.

"Every man or corporation who borrows, whether to build a modest cottage or to engage in a great enterprise employing hundreds of people must satisfy the lender on three points—his character, his capacity, and his capital. Let us assume that the first two, his honesty and abilities are beyond question. His capital must be protected by sound insurance in one form or another. Just let him try to borrow money on an uninsured business establishment and see whether his bankers will let him get away with it. You do not have to remind me that borrowing money these days is not the easiest thing in the world, but it is even harder when the would-be borrower's assets, and therefore his credit, are not properly protected with insurance.

"Insurance not only is an essential factor in the extension of credit on a sound, safe basis, but, through investment in productive enterprises, it plays a large part in promoting economic progress. A dollar invested with a sound insurance company whether life, fire, or casualty, is a dollar that is given given a chance to do its bit in bringing about a national business recovery. I should not have to emphasize to you the important part the institution of insurance has played in easing the nation over some of the bumps of this present depression. Under the blasts of the storm that has been beating down upon the structure of our economic world, the soundly operated, well-established insurance companies have stood like mighty bulwarks, not only standing up under their obligations, mitigating the effects of losses of life and property, but contributing in no small manner toward insuring the stability of almost every other form of American enterprise."

Chattel mortgage clause upheld

The Supreme Court of the United States at its November, 1931, term rendered an important decision upholding the validity of the chattel mortgage clause in the standard fire insurance policy.

The clause provides that if insured personal property be incumbered with a chattel mortgage without consent thereto endorsed on the policy, the policy shall be void.

The decision came in an appeal from Ohio in a case where wool insured in three companies had a chattel mortgage placed on it in favor of a bank, without consent endorsed on the policy, and the mortgage continued in force at the time of the fire.

Bankruptcy resolution

Whereas at the suggestion of President Hoover, the Department of Justice, during the past year, has been engaged in a nation-wide investigation of the administration of the Bankruptcy Act, and has published a report embodying the results of such investigation, and

Whereas there is now pending in Congress a bill embodying the recommendations of the Department of Justice for improvement of bankruptcy administration, (Senate No. 3866, H. R. 9968), and

Whereas the Committee on Bankruptcy of this Association has carefully studied the provisions of said bill, and has reported to the Association its approval of the general principles therein set forth, and its opinion to the effect that the changes suggested are, in general, wise and necessary,

Now therefore, be it

Resolved that the National Association of Credit Men, in Convention assembled, does hereby express its approval of the basic principles embodied in said bill, and its conviction that the adoption of changes in the Bankruptcy Act, substantially as recommended by the Department of Justice and as embodied in said bill would materially improve the administration of the Bankruptcy Law, and would tend to eliminate many of the causes of dissatisfaction and complaint which have become prevalent in recent years, and does hereby urge upon the Congress of the United States the adoption of a Bankruptcy Amendatory Bill embodying substantially the principles contained in the bill now pending before Congress with such minor changes and amendments as may commend themselves to Congress in the light of constructive criticism, and be it further

Resolved that the Bankruptcy Committee of this Association be and it hereby is authorized, empowered and directed to continue its study of said bill, and such amendments as may be proposed thereo, and to lay before the Congress of the United States the views of this Association with respect to the same, and be it further

Resolved that the National Association of Credit Men again records its unanimous opinion that it is essential to the welfare of American business that the Bankruptcy Law be continued as part of the statutory law of the United States, and should under no circumstances be repealed, and it is further

Resolved that the National Association of Credit Men extends to President Hoover, to the Department of Justice to Honorable Thomas D. Thacher, Solicitor General of the United States, and to Lloyd K. Garrison, Special Assistant to the Attorney General, its sincere appreciation for their painstaking, scholarly and sympathetic study and understanding of the needs of American business in connection with the problem of the administration of insolvent estates, as exemplified in the Attorney General's report on the administration of the Bankruptcy Law and the bill drafted by the Solicitor-General proposing changes and recommendations in the existing bankruptcy statute.

—Resolution adopted by the N. A. C. M., 6/22/32

Justice is a bigger surprise these days than a miscarriage of justice.

If a guest doesn't know when to leave, he doesn't know anything.

—William Feather

Court decisions and Washington notes

Court decisions

TRUST RECEIPT. RECORDING. CHATTEL MORTGAGE. CONVERSION. AUTOMOBILE. (MICH.).

In this action to recover damages for conversion of an automobile, the question is whether the so-called trust receipt, accompanied by an accepted time draft, was a conditional sale in the nature of a chattel mortgage and, for want of registration, no protection against a subsequent good faith purchaser or mortgagee. A dealer desired an auto for "floor plan" purposes. The distributor made arrangemnets with defendant finance company. The dealer accepted the draft and signed defendant's trust agreement for the balance due. Title was to remain in defendant. The dealer sold the car on a conditional sale. This contract was sold and assigned to plaintiff who recorded it. The trust receipt was not recorded. *Held,* that under the Michigan decisions a trust receipt, accompanied by the obligation of the receiptor to pay an agreed price for an automobile, possession of which is changed, and which permits suit upon the obligation accompanying the trust receipt or the retaking and resale of the car, with application of proceeds in reduction of obligation to pay and right to hold the receiptor for the balance, is security in the nature of a chattel mortgage, and if not filed as such, under the recording laws (C. L. 1929, sec. 13424), is void as against subsequent purchasers or mortgagees in good faith. Judgment for plaintiff affirmed. Motor Bankers Corp. v. *C. I. T. Corp.* Mich. Supreme Ct. Decided April 4, 1932.

* * *

ACCORD AND SATISFACTION. PAYMENT OF SMALL AMOUNT. CHECK. LETTER (CALIF.).

A disputed claim is not discharged by the retention of a check for a smaller amount unless the check is tendered with an explicit statement or pursuant to an explicit understanding that it is offered as full payment, and in this action on an open book account, where defendant set up as a defense an alleged accord and satisfaction resulting from the retention by plaintiff of a check sent to it, but the letter accompanying the check merely stated that according to defendant's books, the amounts shown by the statement set out in the letter balanced all accounts, *held,* that it could not be said as a matter of law that the letter standing alone was sufficiently explicit and unequivocal in its terms as to impose the condition that it could be accepted only as payment in full and not otherwise. Judgment for plaintiff affirmed. *Messer v. Taits, Inc.* Calif. Dist. Ct. of Appeals 1st. App. Dist. Decided March 18, 1932.

* * *

LIFE INSURANCE POLICY. INSURED'S BANKRUPTCY. EXEMPTION CLAIM. RIGHT OF BENEFICIARY. (PENNA.).

The insured was adjudged a bankrupt. He claimed his exemption and certain articles to the amount provided by law were allotted to him. The life policy was turned over to the Trustee by the attorney for the bankrupt. The Trustee, thereupon demanded of the bankrupt the cash surrender value of the policy which was refused, the Trustee then turned the policy over to the insurance company which cancelled it and paid the trustee the cash surrender value. Shortly thereafter and while the policy would otherwise have been in force, the insured died. This action was by the beneficiary. Insured was a resident of New Jersey. The insurer, appellant, admits that under the law of New Jersey (P. L. 1902, p. 422, Secs. 38, 39) a policy of insurance payable to the wife of a bankrupt is exempt and that, if proper claim for exemption had been made by the bankrupt for setting aside of this policy as exempt, it would have been the duty of the Trustee in Bankruptcy to recognize the exemption and to have it set aside for the benefit of the bankrupt and his wife. *Held* that proper claim for exemption was made. The mere physical transfer of the policy without any endorsement to the Trustee in Bankruptcy could not affect the rights of the wife or divest her interest in the policy. Judgment for plaintiff, appellee, affirmed. *Joseph v. New York Life Insurance Co.* Penna. Superior Ct. Decided March 5, 1932.

* * *

SALES. ACTION FOR PURCHASE PRICE. PLEADING. SUMMARY JUDGMENT.

Motion for summary judgment under Rule 113 of the Rules of Civil Practice of the State of New York. The action is for goods sold and delivered and upon an account stated. The amended answer sets up the affirmative defense of composition of creditors. Held that defendant's affidavit indicates that the plaintiff's allegations are true because the defendant relies on a composition of the very indebtedness alleged by the plaintiff. The facts constituting the composition agreement conclusively show that neither the plaintiff nor his assignors ever agreed to the composition. The mere fact that they did accept their proportionate share of the fund in the hands of the assignee for the benefit of creditors does not make them parties to a composition. They had the right to their proportionate share of the debtor's assets and were under no obligation in accepting it to forego the balance of their claim against the debtor. There being no real issue presented in the case, summary judgment should be directed for the plaintiff as demanded in the complaint. *Cohen v. Siegel.* U. S. Dist. Co. St. Dist. of N. Y. Decided April 7, 1932.

* * *

BANKRUPTCY. PREFERENTIAL PAYMENT. SALE ON CONSIGNMENT. TRUST.

In this action appellant, Trustee in Bankruptcy of A. T. Keywan, Inc. seeks recovery of two payments of money made by the liquidator of A. T. Keywan, Inc., upon the theory. first, that it was unlawfully paid out of the corporation's fund to satisfy an obligation arising out of a contract of sale made with A. T. Keywan individually, and second, that if the transaction was with A. T. Keywan, Inc., it was invalid because preferential under Sec. 15 of the New York Stock Corporation Law. A. T. Keywan, Inc., was a New York corporation dealing in rugs. Its principal stockholder, A. T. Keywan, died, leaving a widow who became administratrix of his estate. The attorney for the administratrix, who was also attorney for the corporation, attempted to liquidate the corporation. With creditors unpaid, the liquidator gave two checks out of the corporation's funds to appellee as payment in full for two rugs. The correspondence between the appellee and the liquidator has led to a dispute as to whether these rugs were sold on consignment and whether the transaction was with Mr. Keywan individually or with his corporation, the appellee. *Held* that the appellee's letters emphasize that the transaction was with Mr. Keywan personally. Upon this record it appears that the rugs were on consignment and not on approval. The appellee knew that Keywan wanted the rugs for a specific purchaser and not as general stock. It is provided by the phrase of the invoice that Keywan had the option to purchase but did not have the title. By selling the rugs to his customer, he exercised his option and thereupon became a trustee or a debtor for the invoice price. The testimony of the liquidator concedes that the moneys received for the rugs went into the general corporate funds. It is possible that the appellee could trace and segregate such sums. If it can, it may impress them with a trust for payment under the consignment. If not, it would be in the position of a creditor with no greater rights or liens than other creditors. In the latter event, the payment of the debt by the liquidator would be a preference under Sec. 15 of the New York State Corporation Law. (L. 1923, Chap. 787). The court below should have allowed the appellee to produce such evidence as it could to establish a trust of the specific funds. This might be done, whether the transaction was had with the corporation or with Keywan individually. In the absence of establishing such a trust fund, the appellee is liable to the trustee in bankruptcy. If the transaction was had with Keywan individually it was unlawful to make payment out of the corporate funds when other creditors were unpaid. Judgment reversed and cause remanded. Upon a new trial to be had, the appellee may, if it can, establish the trust relationship and obligations imposed thereby, otherwise the appellant must recover. *Ross v. Michaelyan, Inc.* U. S. C. C. A. 2nd Cir. Decided April 11, 1932.

Washington Notes

A group of Salt Lake City stores under the auspices of the Associated Merchants Inc., on May 15 put into effect a policy of charging on overdue credit accounts, as described in a brief notice sent by each of the stores with the statements mailed on May 1. The statement read as follows:

"PLEASE NOTE:

"We want you to know that we appreciate having your name as one of our charge accounts. As you are aware, regular charge accounts are arranged to give special service and convenience to our customers, as it enables them to pay in one sum on or before the 10th of each month for the purchases made during the previous month.

"Because all merchandise in our store is priced on a cash basis, we and many other stores have adopted the policy of adding a charge of one-half of one per cent per month on any balance more than sixty (60) days old to cover the extra cost of carrying the account.

"If the portion of your account, which is now past due is paid before the fifteenth of this month, you will save the carrying charge required after that date.

"In fairness to our thousands of cash and charge customers who pay their accounts regularly within thirty days, we are quite sure you will recognize the advisability of adopting this policy.

"Your valued patronage is appreciated and we earnestly solicit your further co-operation in this matter." (Followed by a list of the cooperating stores).

Cancel the war debts?

(*Cont. from page* 16) ask the American taxpayer to make further sacrifices, what sacrifices are you prepared to make?

You argue that we should cancel some nine billions of debts because our debtors bought from us some four billions of war munitions in addition. If you bought from me $1,000 of goods on credit; and in addition bought $500 for cash, you would argue that the latter justifies you in asking me to cancel the fomer transaction so that you could have $1,500 worth of goods for $500! That is indeed interesting.

Let me remind you, and our readers, in connection with this $4,275,000,000 bribe to our generous impulses, that in the funding agreement of the Coolidge administration we have already scaled down the obligation of our debtors, Figured on a 4¼ per cent interest basis —the rate on most of our Liberty bonds by which the money was raised—by the tune of $10,705,618,000 during the time given for payment, we settled with Great Britain—figured on a 4¼ per cent interest rate— at 80 cents on the dollar, with France at 47 cents, with Italy at 24 cents, and so forth, and gave them 62 years in which to pay.

Having given Europe our shirt, I would at least like to retain our trousers. We may need them. In fact they would come in handy right now, to help cover the nakedness of a three billion dollar deficit. I cannot overlook two fundamental facts: first, that *it was not our war*, either in its roots or its fruits; and second, that every nation in Europe, to a greater or less degree, was responsible for it. It having once started, we were dragged into it, and spent *billions of our own money*, over and above what we loaned our allies, to help them win the war—not to mention thousands of lives, and a terrific burden of debt and taxation which we will not pay for decades. To say nothing of the billions we spent at the time, since the war ended we have paid in veterans' relief alone some six billion dollars, and that will go on and on for at least two generations to come. And yet Dr. Winkler talks of the profits we made from the war!

Dr. Winkler assumes that we alone benefited from the purchase of munitions by our allies. Why did they buy them? So that they could dictate a peace of conquest, instead of having one dictated to them. That they did dictate such a peace Dr. Winkler goes to great lengths to prove. Read his statement of what our allies got from their conquered foes while the getting was good. It is an impressive list of booty. He could have made it longer. Take France. She had frightful losses, but in judging her ability to pay it is worth noting that her per capita gold amounts to $57 while ours is $42. From the war she received her lost provinces, containing 5,600 square miles and a population of 1,700,000 of some of the most highly skilled artisans of Europe; she doubled her ore capacity; she got mines producing 6,000,000 tons of coal and 65,000 tons of crude oil annually; she got potash mines yielding 2,000,000 tons annually, thus breaking the German potash monopoly; her railways carry more people than our own despite our greater mileage; her merchant fleet has grown prodigiously while ours has languished. And still she is not able to pay us $50,000,000—her part of this year's moratorium! Meantime she raids our gold reserves by $800,000,000! What did we get out of it? Nothing. It is to our credit that we asked for nothing.

Dr. Winkler argues that in the interest of future peace we should do our "utmost to do away with every thing that is likely to remind us of war." On the contrary, harsh medicine though it be, it seems to me that a pretty good argument against another war will be for the participants to be reminded that they have not yet paid for the last one. I am quite sure that that argument will speak strongly to us. We will think twice before we shoulder the cost of another conflict.

Let our allies, who got the booty, reduce their preparations for the next war by 16 per cent, and they can pay the balance of our debts to us.

In conclusion I commend to our readers, if they care to pursue the matter further, three books by Ralph Warren Hills, "Lex Talionis," "The Unliquidated Peace," and "Side-Lights on Reparations." Here you can read the real truth about the betrayal of the principles of President Wilson by our late allies, aided and abetted by our own international bankers. It is a startling story of chicanery and greed.

Opportunities to get into trouble are knocking day and night.

—*William Feather*

Accept the acceptance!

(*Continued from p. 7*) have indicated that money borrowed at banks, either directly or through brokers, has been very largely paid off. Each time a debt is paid at the bank it eliminates a like volume of deposits, barring, perhaps, some negligible transaction where the debt is paid in actual cash. The cause for the decline in bank deposits is the paying off of debts. This has made us all apparently poor; we have not the buying power we once enjoyed. This is deflation. Is it not reasonable to suggest that we try retracing our steps and increase our bank balances by the simple expedient of borrowing from the banks?

We cannot borrow on collateral loans because collateral, as a whole, has become substantially valueless, most issues selling for less than a tenth of their values in 1928. It has become unfashionable to make loans without collateral on a man's character. That may be a reflection on our characters or on the banker's judgment; I don't know which, but I am inclined to think that it is due to too much meddling of Government in business, for a "2 x 4" inspector can call down a banker because he has loaned to a seventh cousin without collateral which at once brands the banker as being a crook etc. etc.

We have however one route to borrowing—the use of Trade Acceptances. This way of doing business is very popular in France and is used, to a very great extent, there. Perhaps, that is why France has felt so little the present depression. Acceptances are used by a few companies in the United States; for instance, the well-known Campbell Soup Company, which transacts its business almost entirely on the Acceptance Plan.

Just what is a Trade Acceptance? If Jones sells Brown a line of goods, Brown may tender to Jones a document stating he has received the goods in good condition and that he will pay for them in ninety days. This arrangement, if accepted by Brown, puts the seller in a position to take the document to his bank and have it discounted so that the net result is that the buyer purchases on, say, ninety days' time, but the seller gets immediate cash less a negligible discount charge at once. This increases, for a period of ninety days, the total bank deposits, for it is exactly the equivalent, so far as the economic structure is concerned, of the bank loaning money without collateral yet the bank has the best kind of investment. It is short time—it has the backing of a definite business transaction and the endorsement of two independent business houses. It also has the very great virtue of being rediscountable at the Federal Reserve Bank so that should the bank meet an unexpected need of credit itself, it could rediscount the Acceptance with the Federal Reserve and get cash or credit therefrom.

Some of you may say—this all sounds interesting and we are glad it is going to save the country and end the depression. That is not the situation. I think it is correct reasoning, and that its general adoption would very greatly aid the situation, if not entirely correct the trouble, but *talking* about it does no good at all. The question is, "How many transactions are going to be actually carried through on the basis of an Acceptance?" Each of you here can adopt the practice and use it. I wonder if any of you will? This inertia is what the Young Committee feared in giving approval of the principle involved. They admitted the validity of the principle at the first meeting in which the matter was discussed, but it took several weeks to convince them that it might not be a vain hope that it should become established in the United States.

Won't you give this plan a trial?

Resolution on trade acceptances

Business safety unquestionably lies in the direction of business liquidity. Readjustments, sometimes sharp, drastic and painful, are forced because of the neglect of this principle and the tying up of a disproportionate fraction of capital resources in fixed form. It is of the highest importance, therefore, that business men and bankers use every facility to maintain their credits in a condition as liquid as possible, and this Convention here gives as its unqualified opinion that maximum liquidity will be obtained by the translation of current business transactions into acceptance form.

In the opinion of this Convention the customary method of open account selling with its accompaniment of borrowing at the bank on single name paper, does not offer a quality of liquidity comparable with the trade acceptance method. Nor does it give the banks lending on single name paper the protection or liquidity that is afforded by trade acceptances arising out of actual sales and purchase of merchandise in the regular course of business.

It is particularly unfortunate that in a time such as the present, the receivables of merchants and manufacturers which as a rule represent their best assets, are tied up in such form as to be largely unavailable for taking advantage of the Federal Reserve reservoir of credit intended for the service of business, for even with business at its present low ebb, acceptances representing the current movement of merchandise, would still be in large volume.

The matter is of so great importance to business in the immediate effort to resume and of such permanent importance in bringing about the maximum of intimacy between business transactions and banking credits, that this Convention calls upon Credit Men and business and banking interests in general, to form committees in every business center and also within the various trades, whose definite work will be to bring about an understanding of the trade acceptance method, broaden its employment in industry and trade, and also to protect it against those who through ignorance or wilful abuse, injure for others what should be an instrument of credit, representing a frank and open relationship between seller and buyer and an instrument keenly sought for by the banks as a prime investment.

—*Minute as adopted by the N. A. C. M., 6/22/32*

Collection, sales survey

(*Cont. from p. 21*) are excellent. A pick-up in sales is expected in the near future.

TEXAS: Ft. Worth reports collections slowing up somewhat, but sales in some lines, especially clothing, is on a gradual upward trend. Grain will be harvested and sold in the near future, which should tend to help collections in some sections at least. Waco furnishes us with the information that sales have been fair and collections on current purchases are fair, but the old accounts are very slow in paying. Wichita reports they are selling as much goods as in much better times, but the prices are so low that they do not realize much profit on sales.

TERRITORY OF HAWAII: Honolulu finds collections very slow and are, from all reports, getting slower. Sales are also slow, but the buyers are looking harder and longer before making purchasers.

YOUNG GROUP URGES TRADE ACCEPTANCES

Banking and Industrial Body, Headed by Financier, Hopes to Benefit Business.

DU PONT SPONSORS MOVE

Discounting of Bills in Place of Cash Advances on One-Name Notes Advised.

TO INCREASE BANK CREDIT

Federal Reserve and Other Organizations Asked to Help in Campaign Outlined.

The Banking and Industrial Committee, headed by Owen D. Young, which was formed last month to help make effective the credit expansion program of the Federal Reserve System, issued yesterday a statement endorsing the proposal for using trade acceptances as a substitute for open book accounts.

—New York Times

Trade Acceptances Offer Means Of Positive Credit Expansion

Wider use would thaw out debts now holding back smaller concerns, supply needed commercial paper

LOCAL committees of bankers and business men set up in several Reserve districts under auspices of the Reserve Banks have so far been working on 3 types of measures to stimulate expansion of member bank credit as a means of business recovery. The first, exemplified by the formation of the American Securities Investing Corp. by

The trade acceptance is simply a piece of prime, 2-name commercial paper covering a sale of specific goods for future payment, endorsed and guaranteed by both buyer and seller, and eligible for rediscount by the Federal Reserve Banks. Bankers' acceptances, now in general use, are essentially the same sort of credit instrument, except

—The Business Week, June 22, 1932.

Help Business

Help YOUR Business—

Use TRADE ACCEPTANCES

■ BENEFITS TO BUSINESS:

- Credit more readily obtainable at banks.
- Bank deposits increased.
- Federal Reserve Banks' outstanding credit expanded and made available to business.
- Better security and more liquid investment for banks.
- Increased movements of goods, raw materials; increased employment.
- Credit resources of country strengthened by converting large aggregates of credit into negotiable form.
- Merchants and manufacturers relieved of performing banking functions for customers.

■ BENEFITS TO YOU:

- Assets rendered more liquid since good acceptances are prime commercial paper.
- Definite maturity date placed on accounts receivable.
- Accounts receivable convertible into immediate cash, speeding up turnover of open-book accounts.
- Cost of doing business reduced through savings in follow-up collection work, expense of carrying overdue accounts, etc.
- Receipts more accurately pre-determined.

PRICES, POSTPAID, FOR TRADE ACCEPTANCE BLANKS:

Quantity	*With Name and Address*	*Plain*
100	See Note	$.75
250	$3.75	1.75
500	5.50	3.25
1000	8.75	5.50

A minimum quantity of 250 must be ordered if name and address are desired.

NATIONAL ASSOCIATION OF CREDIT MEN, ONE PARK AVENUE, NEW YORK

Answers to credit questions

Conducted by Walter C. Foster

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest are printed regularly in Credit and Financial Management. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of law involved.

Consignments

Q. *a—Can merchandise sold on consignment be recovered from the debtor after a petition in bankruptcy, or is the merchandise considered part of the assets of the estate?*

A. Merchandise shipped on consignment can be recovered in case of bankruptcy, if the same can be identified and the fact that it was shipped on consignment and not sold to the debtor, can be established.

Q. *b—When customer has sold some or all of the merchandise shipped on consignment but has not paid for some or all of said merchandise, has creditor a preferred claim after bankruptcy petition has been filed to monies due, and if not, is shipper considered merely a general creditor?*

A. If merchandise shipped on consignment has been sold in part by the consignee, who has not remitted the proceeds, the proceeds of sale can be recovered from a trustee in bankruptcy if th same can be traced and identified. A claim for the monies is not a preferred claim, but the monies are subject to a summary turnover directed to the trustee or receiver.

Judgment notes

Q. *According to instructions issued by the State Banking Department of Wisconsin all notes taken by state banks should be in a judgment note form. Will this have the effect of placing the bank ahead of all other creditors? Should not the bank, when taking notes in this form, be obliged to file them with the county clerk?*

A. A judgment entered on such a note is exactly the same as a judgment resulting from legal proceedings of any nature and unless the judgment becomes a lien on the property of the debtor, more than four months before the filing of a petition in bankruptcy, the lien is dissolved by the institution of bankruptcy proceedings.

We do not think judgment notes should be required to be filed with the county clerk, for no useful purpose would be served by so doing. The judgment itself must, of course, be docketed in accordance with the provisions of the state law, and docketing of the judgment gives notice to creditors that the same has been entered.

Business men may also obtain judgment notes if they can get them and place themselves on a parity with the banks so far as concerns the facility with which judgment may be entered.

Assigned accounts

Q. *When an account is assigned to a third party and the debtor notified but still remits directly to the original seller of the merchandise, is he liable as well to the third party or assignee of the account?*

A. When a collection account is assigned to a third party and the debtor is notified of such assignment, any payment which he makes to one other than the assignee, is made at his own risk. The fact that he remits directly to the original seller who fails to turn over the money to the third party is no defense to the debtor as against the third party. He would be liable in an action and would have to seek recourse as against the original seller.

Creed

by BRACE BENNITT, National Association of Credit Men

I am a retail merchant. I have been in business for twenty years. I know I am only average in my business ability and efficiency but I have applied myself to my work and I have done the very best I know how. I have been honest in all my business dealings. I may be straightlaced but my honesty I interpret as not only staying within the law but staying within the bounds of fair practice. I have tried to keep up to date in my store with modern merchandising methods, in advertising, in meeting the demands of my customers and maintaining a representative stock for them and for the firms whose merchandise I distribute.

I have always believed in competition as the lifeblood of trade. I have had plenty of competition from the very day my doors opened. I have always welcomed good competition because I knew it would stimulate interest in the products I sell. However, I am beginning to get concerned about the competition I have to meet these days and which I do not seem to be able to contend with effectively.

I am not so concerned about the fact that my competitor across the street either through ignorance or indifference adopts what seems to me slack business methods. I am not so concerned about his giving charge accounts to people whom I do not deem worthy. I am not so much concerned about his putting a lower price on his merchandise than I profitably can on the same lines. I *am* concerned, however, and I find it amounting to pretty definite resentment, with the fact that I am the unwilling financial agent of my competitor across the street. I am growing more and more reluctant to being the unwilling cause of his continuance in business.

I can't afford to miss my discounts on the goods I buy and so I have made it a cardinal rule to pay all my bills within the discount period. I know there are a lot of other merchants who follow the same practice and I have a growing feeling that it is their money and my money that makes it possible for the people from whom I buy my goods to carry my competitor across the street sometimes sixty, sometimes ninety, sometimes 120 days past the day on which he should pay his bills. Into my mind is creeping the feeling that in reality my competitors are the very people from whom I buy goods. I have no brief against my competitor across the street but I want both of us to be on an equal basis. If on that basis we both survive, there is room for us both. If on that basis, one of us goes out of business, it is because of fair competition.

I am wondering what I and other merchants like myself should do. I know, if we all take 120 days to pay our bills there would be an added cost to business that must be reckoned with in the price of goods which the consumer must buy. On the other hand, I am wondering if I confine my purchases to the supply houses who are not competing with me, would I be able to maintain a sufficient stock of merchandise.

I am familiar with present credit practices and there is a similar growing familiarity on the part of other retail merchants.

There have been stores opened from time to time in competition with me that have not survived and eventually were liquidated. They are not my problem now but during the time of their existence they did have a definite effect on my business and during the time of their liquidation I, of course, was faced with a large supply of goods such as I sell being placed on the market at auction figures.

I have talked with some other retail merchants like myself and am not surprised to find that I am not alone in my feelings. I have thought this was one of the many features governing my business over which I have no control but I am not so sure now.

I am beginning to find there are more of me in the retail field than I imagined and I hope there are more of what I think are the right kind of people in the firms from which I buy my goods.